2016-1882

United States Court of Appeals for the Federal Circuit

ADJUSTACAM, LLC,

Plaintiff-Appellee,

v.

NEWEGG, INC., NEWEGG.COM, INC., ROSEWILL, INC.

Defendants-Appellants,

SAKAR INTERNATIONAL, INC.

Defendant.

Appeal from the United States District Court for the Eastern District of Texas in case no. 6:10-cv-00329-JRG, Judge Rodney Gilstrap

CORRECTED NON-CONFIDENTIAL BRIEF OF PLAINTIFF-APPELLEE

August 9, 2016

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CERTIFICATE OF INTEREST

Pursuant to Federal Rule of Appellate Procedure 26.1 and Federal Circuit Rule 47.4, the undersigned counsel for Plaintiff-Appellee hereby certifies that:

1. The full names of every party or amicus represented by me is:

AdjustaCam, LLC.

2. The names of the real parties in interest (if the party named in the caption is not the real party in interest) represented by me is:

None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

Acacia Research Corporation is the ultimate parent of Plaintiff-Appellee.

4. The names of all law firms and the partners or associates that appeared for any of the parties represented by me in the District Court or are expected to appear in this court are:

John J. Edmonds, Stephen F. Schlather and Shea N. Palavan of COLLINS, EDMONDS, SCHLATHER & TOWER, PLLC represents Plaintiff-Appellee for this appeal;

Michael Collins and Andrew Tower of COLLINS, EDMONDS, SCHLATHER & TOWER, PLLC represented Plaintiff-Appellee in the District Court;

Eric Robinson and Johnathan Yazdani both formerly of COLLINS, EDMONDS, SCHLATHER & TOWER, PLLC represented Plaintiff-Appellee in the District Court;

Andrew Spangler and James Fussell, both formerly of SPANGLER LAW PC., represented Plaintiff-Appellee in the District Court; and

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Dated: August 9, 2016

/s/ John J. Edmonds
John J. Edmonds

STATEMENT OF RELATED CASES

AdjustaCam, LLC ("AdjustaCam") and Newegg Inc., Newegg.com, Inc., and Rosewill, Inc. (collectively, "Newegg" or "the Newegg Defendants") previously filed cross appeals to this Court arising from this same civil action. *See* Fed. Cir. Appeal Nos. 2013-1665, -1666, -1667. Newegg's prior appeal resulted in a remand for reconsideration. *AdjustaCam, LLC v. Newegg, Inc.*, 626 Fed. A. 987 (Fed. Cir. 2015). Newegg's present appeal arises from the re-denial of its § 285 motion and the corresponding judgment on remand.

AdjustaCam is unaware of any other case in this Court or other court that will directly affect, or be directly affected by, the Court's decision in this appeal.

TABLE OF CONTENTS

CERTIFICATE OF INTEREST ii

STATEMENT OF RELATED CASES iv

TABLE OF CONTENTS v

TABLE OF AUTHORITIES viii
Cases viii

Statutes ix

Other Authorities ix

I. STATEMENT OF JURISDICTION 1

II. STATEMENT OF THE ISSUES 1

III. INTRODUCTION 2

IV. STATEMENT OF THE CASE AND FACTS 6
A. The '343 Patent. 6

B. The '343 Claims As Construed By The Magistrate Judge/District Court 7

C. Due To The District Court's Construction Of "Rotatably Attached," Adjustacam Dropped Sixteen (16) Webcams From The Suit. 8

D. The Dismissal Of Newegg Was For Good-Faith, Prudent, And Practical Reasons. 8

E. The Cancellation Of The Claims And Dismissal Of The Final Defendant Sakar Were In Good-Faith, And For Prudent And Necessary Reasons. 10

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE 11

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE 12

F. Judge Davis's Original Denial Of Newegg's Prior Motion For Fees. 12

G. The Appeal And Remand. 13

H. The District Court's Second Denial Of Newegg's § 285 Motion. 14

V. SUMMARY OF THE ARGUMENT 15

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE 17

VI. ARGUMENT 19

A. Legal Authorities 19

B. Newegg Has Waived Any Arguments That Judge Davis's Prior Factual Findings Were Clearly Erroneous 20

C. Waiver Aside, Newegg's Arguments Lack Factual Merit. Adjustacam's Infringement Claims Against Newegg Were Never Baseless, Frivolous, Or Brought In Bad Faith Or For An Improper Purpose. Newegg's Non-Infringement Argument Lacks Competent Support Or Merit. 21

D. Newegg's Invalidity Contentions On The Ma Patent Run Contrary To Its Current Restrictive View Of "Rotatably Attached." 38

E. The Reliance Of Newegg On The Dovey Patent Runs Contrary To Its Current Restrictive View Of "Rotatably Attached" 40

F. Adjustacam's Validity Arguments Were Meritorious And Not Baseless. 42

G. There Has Been No Bad Faith Or Litigation Misconduct By Adjustacam. Adjustacam Did Not Bring This Case For Any Bad-Faith Or Other Purpose Of Extracting Nuisance-Value Settlements. 53

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE 53

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE....54

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE....55

THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE....56

H. Newegg's Complaints About Its Settlement Negotiations With Adjustacam Are Naïve And Misguided....59

I. Judge Gilstrap Did Not Fail To Consider The Totality Of The Circumstances, Nor Did He Rubber-Stamp Or Merely Defer To Prior Findings By Judge Davis....61

J. The District Court Did Not Commit Clear Error, Nor Did It Abuse Its Discretion, In Denying Newegg's § 285 Motion....64

K. The District Court Did Not Commit Clear Error, Nor Did It Abuse Its Discretion, In Denying Newegg's Motion For Expert Fees....64

L. Even If Reversible Error Was Somehow Found, The Appropriate Remedy Would Be Remand, Not Reversal....65

VII. CONCLUSION....66

VIII. CERTIFICATE OF SERVICE....67

IX. CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPE-FACE REQUIREMENTS, AND TYPE-STYLE REQUIREMENTS....68

TABLE OF AUTHORITIES

Cases

AdjustaCam, LLC v. Newegg, Inc.,
626 Fed. A. 987 (Fed. Cir. 2015) .... v, 13
Bianco v. Globus Med.,
2014 WL 1904228 (E.D.Tex. May 12, 2014) (Bryson, J.).................................15
Brooks Furniture Manufacturing, v. Dutailier International,
383 F.3d 1378 (Fed. Cir. 2005) 13, 20, 63
Crowe v. Smith,
151 F.3d 217 (5th Cir. 1998) 65
Digitech Image Technologies v. Newegg, 2013 WL 5604283,
No. 8:12-CV-01688-ODW, Doc No. 473 (C.D.Cal., Oct. 11, 2013)..................3
e.Digital v. Newegg,
No. 3:12-cv-02879-DMS-WVG, Doc. 50 (S.D. Cal. Oct. 1, 2013)....................3
Highmark, Inc. v. Allcare Health Management Systems, Inc.,
134 S.Ct. 1744 (2014)..20
Macrosolve v. Government Employees Ins.,
637 Fed.A. 591; (Fed. Cir. Feb. 9), *cert denied*, 2016 WL 2742651 (June 13, 2016) 3
MarcTec v. Johnson & Johnson,
664 F.3d 907 (Fed. Cir. 2012) 20, 58, 65
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134 S.Ct. 1749, 1756 (2014)... 13, 14, 19, 20
Ortega v. O'Connor,
50 F.3d 778 (9th Cir. 1995) 21
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2016 WL 675529 (D. Del. Feb. 18, 2016)..3
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Case 2014-1777 (Fed. Cir. Oct. 28, 1994)..4
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N.D. Cal. 5:11-cv-03306-PSG Dkt. 665 (N.D. Cal. May 21, 2013) 58
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538 U.S. 408 (2003)..5
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57 F.3d 1054 (Fed. Cir. 1995) 10
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242 F.3d 89 (2d Cir. 2001) 21

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35 U.S.C. § 285 19

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Lex Machina Patent Litigation Damages Report http://pages.lexmachina.com/rs/lexmachina/images/LexMachina-2013%20Patent%20Litigation%20 Year%20in%20 Review.pdf?aliId=615153 58
Mullin, Joe, "Jury: Newegg infringes Spangenberg patent, must pay $2.3 million," http://arstechnica.com/tech-policy/2013/11/jury-newegg-infringes-spangenberg-patent-must-pay-2-3-million 3
Wright & Miller, Fed. Practice and Procedure § 4478.3 (2d ed. 2013) 20

I. STATEMENT OF JURISDICTION

AdjustaCam does not dispute this Court's jurisdiction over Newegg's appeal.

II. STATEMENT OF THE ISSUES

1. Whether the District Court abused its discretion in denying (for a second time) Newegg's motion for attorney and expert fees under § 285 and under the Court's inherent authority.
2. Whether Newegg has waived its claims of clear error; or, alternatively, whether the District Court clearly erred in its factual determinations.
3. Whether Newegg's meritless allegation that the District Court erred by failing to consider the totality of the circumstances should prevail over the District Court's statement that it did consider all the circumstances and the clear indication in the District Court's order that it did so.
4. Whether the District Court was within its discretion in agreeing with prior factual findings on remand, including when the facts had not changed, and when Newegg had not challenged those factual findings for clear error on the appeal that preceded remand.
5. Whether the original factual findings made in denying Newegg's motion for fees should somehow be given less weight because at the time, the *Brooks Furniture* test was applicable, even though the shift from *Brooks Furniture* to *Octane* did not impact the facts underlying Newegg's motion.

6. Whether, even if reversible error is somehow concluded, the appropriate remedy would be reversal (as Newegg erroneously urges) or remand.

III. INTRODUCTION

This was a patent infringement suit involving U.S. Patent No. 5,855,343 (the "'343 patent"). As the case progressed, Newegg, an online retailer, was the beneficiary of multiple settlements by webcam manufacturers such as HP and Gearhead,[1] which licensed most of the infringing sales that Newegg had made. AdjustaCam's claims against Newegg were meritorious. However, AdjustaCam voluntarily dismissed Newegg from this case for appropriate strategic reasons – because damages against Newegg had become *de minimus* once its upstream suppliers had taken licenses, and also to streamline the case and focus on a larger defendant Sakar, who, unlike Newegg, had not designated a damages expert.

The District Court issued a reasoned written opinion addressing the facts and the parties' contentions, and denying Newegg's motion for fees. Newegg appealed this denial, and this Court remanded for reconsideration in light of intervening law. On remand the District Court again denied Newegg's motion, issuing a second reasoned written opinion addressing the facts and the parties' contentions. Newegg improperly seeks, for a second time, to have this Court substitute its judgment for

[1] Newegg's allegations about the immediacy of AdjustaCam's settlements in the case are unfounded. As with many cases, some settlements came relatively early, some came relatively late, and others occurred in between.

the discretion of the District Court, and to reweigh all the facts that that the District Court considered and weighed against Newegg.

Newegg has no basis to appeal the appropriate factual findings and discretionary ruling by the District Court. This appeal is yet another battle in Newegg's apparent crusade to prevail under § 285.[2] Indeed, being indifferent to whether an appeal is even merited, Newegg has made it well known that it budgets for an appeal in every case,[3] and that its goal is being a "very undesirable target for all lawsuits."[4] Newegg's general counsel has disclosed that "[w]e're going to explore the limits of § 285 jurisprudence," and that "[i]f we lose every one of our fee motions, at the very least we achieve something… It's called peace on our borders." *See* Recorder Article. Although Newegg's overaggressive efforts to recover fees, even

[2] *See, e.g.*, *Macrosolve v. Government Employees Ins.*, 2016637 Fed.A. 591; (Fed. Cir. Feb. 9), *cert denied*, 2016 WL 2742651 (June 13, 2016) (affirming denial of Newegg's § 285 motion); *Site Update Solutions v. CBS,* 639 Fed.A. 634 (Fed. Cir. Feb. 1, 2016) (affirming denial of Newegg's § 285 motion); *SFA Systems, LLC v. Newegg Inc.,* 793 F.3d 1344 (Fed. Cir. 2015) (affirming denial of Newegg's § 285 motion); *Pragmatus Telecom v. Newegg*, 2016 WL 675529 (D. Del. Feb. 18, 2016); *Digitech Image Technologies v. Newegg*, 2013 WL 5604283, No. 8:12-CV-01688-ODW, Doc No. 473 (C.D.Cal., Oct. 11, 2013) (denying Newegg's § 285 motion); *e.Digital v. Newegg*, No. 3:12-cv-02879-DMS-WVG, Doc. 50 (S.D. Cal. Oct. 1, 2013) (denying Newegg's § 285 motion).

[3] *See, e.g.,* Mullin, Joe, "Jury: Newegg infringes Spangenberg patent, must pay $2.3 million," http://arstechnica.com/tech-policy/2013/11/jury-newegg-infringes-spangenberg-patent-must-pay-2-3-million; Graham, Scott, "In-house Impact Winners: Lee Cheng, Newegg," http://www.therecorder.com/id=1202724143534 /Inhouse-Impact-Winners-Lee-Cheng-Newegg ("Recorder Article").

[4] Profile Magazine, "When the patent trolls come knocking NewEgg calls in Lee Cheng," by Julie Knudson, at http://profilemagazine.com/2013/newegg/

when unwarranted, have been rejected multiple times, part of Newegg's strategy of being a "very undesirable target for all lawsuits" and gaining "peace on our borders" is to allege, as it has done here, that unsuccessful patentees had nefarious "business models" or "litigation strategies" that somehow justify shifting fees.[5] Yet this Court recently reminded Newegg that allegations of nefarious business models unsupported by evidence (like the meritless and unsupported allegations Newegg makes in this case) are unpersuasive and insufficient for finding an abuse of discretion in denying exceptionality. *SFA Systems*, 793 F3d at 1351.

Newegg's allegations about AdjustaCam's alleged state of mind – *e.g.,* its allegations that AdjustaCam never expected to prove infringement, that AdjustaCam's motive for dismissing Newegg was to avoid summary judgment, that AdjustaCam's "business model" is nuisance litigation, that the basis for AdjustaCam's settlements was somehow a "sham" or "fabricated," etc. – and about the state of mind of other Defendants who took licenses to the patents-in-suit – *i.e.*, its allegations that they paid only because it was less than the cost of litigation – are false and unsupported, and typical of Newegg's penchant for hyperbole and unfounded allegations. AdjustaCam's parent entity has a well-publicized model of "partner[ing] with patent owners to bridge the gap between invention and production, helping patent owners get paid by licensing their patents to the companies that use them."[6] AdjustaCam's ultimate parent, Acacia Research Corporation, is a publicly traded company (NASDAQ: ACTG), and there is simply no evidence that this publicly traded company or its subsidiaries, namely AdjustaCam, have any improper or nefarious business models.

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[5] *See, e.g., SFA Systems, LLC v. Newegg, Inc*., Case 2014-1712, Brief of Appellant Newegg, Inc., pp. 44-45 (Fed. Cir.); *Pragmatus Telecom v. Newegg*, Case 2014-1777, Brief of Newegg, Inc., Doc 18, p. 9 (Fed. Cir. Oct. 28, 1994) *Macrosolve, Inc.* v. Newegg, Inc., Case No. 15-1642, Brief of Newegg, Inc., Doc 19, pp. 48-54 (E.D. Tex.); *Digitech Image Technologies, LLC v. Newegg, Inc*., No. 8:12-CV-01688-ODW, Motion of Newegg, Inc. for Fees, Doc No. 43, pp. 5-6 (C.D. Cal.); *e.Digital Corp. v. Newegg, Inc.*, No. 3:12-cv-02879-DMS-WVG, Newegg Inc.'s Motion for Fees, Doc. 46, p. 5 (S.D. Cal.).

Newegg's argument that whether a patentee is a practicing entity or whether a patentees' settlements are less than the costs of defending some cases should somehow lower the bar for assessing fees lacks any legal merit, lacks fundamental fairness, is poor public policy, and, if accepted, would violate fundamental notions of due process and equal protection under the laws.[7]

Newegg's argument that "the District Court failed to consider the totality of the circumstances" constitutes an inexcusable mis-statement of the District Court's ruling. The District Court was clear in its holding that it considered the totality of the circumstances and the entirety of the record. Appx0001_5-Appx0001_6.

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[6] Acacia Research Group Corporate Presentation, http://acaciaresearch.com/wp-content/uploads/2013/10/AcaciACorporate-Presentation-Q3-2014.pdf.

[7] *See generally State Farm v. Campbell*, 538 U.S. 408, 423 (2003) ("Due process does not permit courts, in calculation of punitive damages, to adjudicate the merits of other parties' hypothetical claims…").

Newegg's allegation that the two judges who denied its fees motions paid "scant attention" to the issues is baseless. Both courts reviewed extensive briefing and both held lengthy hearings on the matter, and both recited correct law and specific, relevant facts. Newegg's real complaint is that it disagrees with factual findings which are well supported, especially under a clearly erroneous standard, and it disagrees with discretionary rulings denying the unwarranted relief sought by Newegg.

In sum, the District Court fairly and duly considered all the facts and issues, including in their totality, and it made reasonable and supportable factual findings. The District Court exercised its discretion in a reasonable manner that should not be disturbed on appeal.

IV. STATEMENT OF THE CASE AND FACTS

A. The '343 Patent.

The '343 patent generally relates to an adjustable camera clip comprising one disposition on a generally horizontal, planar surface (*e.g.*, a table top), and another disposition on an inclined object (*e.g.*, the elevated screen of a laptop computer). Exemplary Fig. 2 below from the '343 patent shows a preferred embodiment of a webcam in a first disposition on a table top, and exemplary Fig. 4 below shows the same webcam in a second disposition when attached to the laptop screen, as follows:

Fig. 2

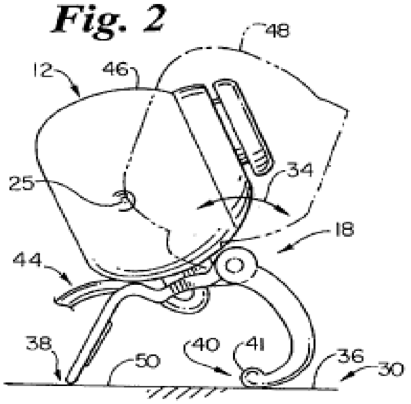
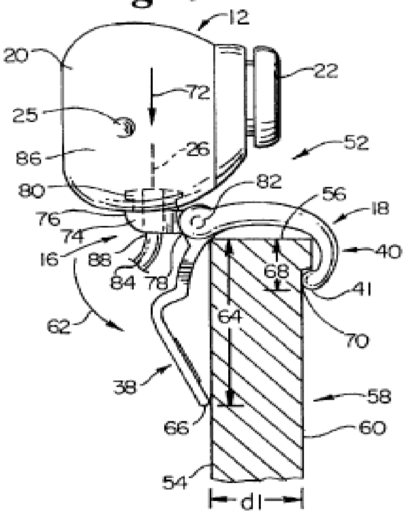


Fig. 4



(Appx0165).

The claims of the '343 patent asserted in the lawsuit were independent claims 1 and 19 and dependent claims 7 and 8. Exemplary claim 1 covers an apparatus comprising a hinge member rotatably attached to a camera, a support frame rotatably attached to the hinge member, the support frame having a first disposition on a surface and a second disposition on an inclined object. Appx0169-Appx0170. Claim 1 and its dependent claims (*e.g.*, 7 and 8) each comprise a "support frame rotatably attached to said hinge member ...," and similar independent claim 19 comprises a "support frame hingedly attached to said hinge member." Appx0169-Appx0171.

B. The '343 Claims As Construed By The Magistrate Judge/District Court

Newegg's arguments for exceptionality largely focus on the "rotatably attached" element in claims 1 and 19. On April 10, 2012, the Magistrate Judge issued a Memorandum Opinion and Order. Appx0013-Appx0027. In its *Markman* Order, the Magistrate Judge rejected both sides' proposed construction of "rotatably attached," and found that "[w]hile the Court has not explicitly construed the 'rotatably attached' terms, the Court has resolved the parties' dispute regarding the proper scope of the claims, *i.e.*, 'rotatably attached' objects in the patent-in-suit are limited to a single axis of rotation." Appx0020. The Magistrate Judge that construed the claims acknowledged that a rotatable attachment is broader than a hinge joint. Appx0013. A few well known examples of rotatable attachments are pivot joints, ball and socket joints, and saddle joints. Appx2813.

C. Due To The District Court's Construction Of "Rotatably Attached," Adjustacam Dropped Sixteen (16) Webcams From The Suit.

Due to the Court's construction of "rotatably attached," AdjustaCam dropped sixteen (16) webcams from the suit because the rotatable attachment between the hinge member and camera was not limited to a single axis of rotation.[8] Appx0341.

D. The Dismissal Of Newegg Was For Good-Faith, Prudent, And Practical Reasons.

Newegg is an online reseller of electronics, including webcams. *See* www.newegg.com. Rosewill is a wholly owned subsidiary of Newegg that manufactures, *inter alia*, a house brand of webcams sold by Newegg which are labeled as Rosewill webcams. AdjustaCam originally accused Newegg of infringement relative to various webcams sold by Newegg but manufactured by Auditek, Creative, Digital Innovations, Gearhead, Hercules, HP, iMicro, Lifeworks, jWin, Pixxo, and Rosewill. Appx0343. However, during the course of the lawsuit, most of Newegg's suppliers reached settlements with AdjustaCam which licensed the sale of their webcams by Newegg. Appx0343.[9] Finally, on August 10, 2012, AdjustaCam settled with Newegg's supplier GearHead, and on August 17th, AdjustaCam settled with Newegg's supplier HP. Appx0343.

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[8] The dropped webcams were the HP 3100, Gearhead WC 740, Gearhead WC 745, Gearhead WC 750, Gearhead WC 740I, Gearhead WC 1100, Gearhead WC 1200, Gearhead WC 1300, Gearhead WC 1400, Gearhead WC 1500, Gearhead WCF 2600, Gearhead WCF 2750, Gearhead WC 4750 and Gearhead WC 8301. Appx0341.

With the HP and GearHead licenses, AdjustaCam's claims against almost all of the remaining retailers in the case became essentially *de minimis*,[10] and the only significant remaining defendants were Sakar and its primary distributor, Kohl's. Appx0343. Sakar/Kohl's were also unique among the remaining defendants in that they failed to designate a damages expert, and thus had no expert to rebut AdjustaCam's damages expert. Appx0343. Therefore, in view of the HP and GearHead settlements, and in an effort to streamline this case by winnowing out *de minimis* infringers, and to focus on Sakar/Kohl's (who lacked a damages expert),

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[9] As of July 2012, AdjustaCam had settled with Auditek, Creative, Digital Innovations, iMicro, Lifeworks, and jWin.

[10] At that point, AdjustaCam's damage number against Newegg was $17,736. In its Brief, Newegg alleges, without any support from or citation to the record, that it "initially confirmed accused sales of less than $100,000." However, that allegation is false.

AdjustaCam voluntarily dismissed its claims against the remaining retailers who had sold HP and/or GearHead webcams. Appx0343.[11]

With only Sakar and Newegg remaining, Newegg initially refused to be voluntarily dismissed like the other resellers of Gearhead and HP webcams. Appx2136. Thus, AdjustaCam was required to take the unusual measure of filing an opposed motion to dismiss Newegg pursuant to *Super Sack v. Chase Packaging*, 57 F.3d 1054 (Fed. Cir. 1995). Appx2136. Newegg finally agreed to be dismissed in September 2012. *See* Appx1986.[12]

E. The Cancellation Of The Claims And Dismissal Of The Final Defendant Sakar Were In Good-Faith, And For Prudent And Necessary Reasons.

On August 30, 2012, and at the culmination of reexamination proceedings involving the ‘343 patent, the USPTO issued a Final Office Action rejecting the Asserted Claims as being unpatentable. Appx0258 and Appx0369-Appx0373. However, the USPTO also held that multiple new and amended claims were patentable. Appx0258 and Appx0284.003. Although AdjustaCam and the assignee of the ‘343 patent GlobalMedia disagreed with the USPTO’s determination of unpatentability, rather than pursue lengthy and expensive appellate proceedings,

[11] The dismissals of Best Buy, Fry’s, MicroCenter, Office Depot, and Walmart are at C.A. 6:10-CV-00329, D.E. 668, 670, 666, 667 and 669, respectively. None of these dismissed defendants filed § 285 motions.

[12] Upon cancelation of the claims in reexamination proceedings, AdjustaCam promptly dismissed the final defendant, Sakar.

which might exhaust most of the remaining term[13] of the '343 patent, they canceled the rejected claims so that a reexamination certificate could issue with the new and amended claims. Appx0258; Appx0284.003. In view of the fact that the asserted claims of the patent-in-suit were canceled, AdjustaCam, in good faith, promptly dismissed the last defendant, Sakar, from the case. Appx2136-Appx1968; Appx0318-Appx0320.

AdjustaCam, the exclusive licensee of the '343 patent, and GlobalMedia, the assignee of the '343 patent, had a legitimate interest in completing the reexamination process and getting allowed claims because they each had a contractual right, by and through their exclusive license agreement, to a 50% interest in the net proceeds from co-pending litigation against the largest licensee[14] of the '343 patent, **[CONF]**.

[13] The '343 patent expires on March 17, 2017, which is approximately fifty-two (52) months from the issuance of the reexamination certificate. Appx0258, n. 4. The appellate process for reexaminations was, at least at the time, notoriously lengthy. For example, in FY 2012 the average pendency of an appeal in the Patent & Trademark Appeal Board (formerly known as the Board of Appeals & Patent Interferences) was thirty-six (36) months. *See* http://www.uspto.gov/ip/boards/bpai/stats/perform/ fy2012_perform.jsp; Appx0258, n. 4. Further, appeals from the PTAB to the Federal Circuit took approximately 10 months from filing to disposition. *See* Chart entitled "Median Disposition Time for Cases Decided by Merits Panels" at http://www.cafc.uscourts.gov/thecourt/statistics.html; *Id*.

[14] **[CONF]** has paid at least **[CONF]** in royalties under its license agreement. The actual number is believed to be higher due to a lack of records for royalties in some years past. Appx3789. Of this number, **[CONF]** was paid after AdjustaCam became the exclusive licensee of the '343 patent in 2010, which culminated in **[CONF]** paying a lump sum of **[CONF]** in December 2013 to convert its agreement into a paid up license. *Id.* This was a negotiated number based upon the

Appx3788-Appx3790 at Appx3788. On February 21, 2011, GlobalMedia, still the party in privity with **[CONF]**, filed suit to compel arbitration of a dispute over whether **[CONF]** was paying sufficient royalties. *See* **THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE** Appx3788. After the District Court had ordered arbitration, and the Ninth Circuit refused to stay that order, *see* **THE MATERIAL OMITTED DISCLOSES MATERIAL DEEMED CONFIDENTIAL UNDER LICENSE**, those arbitration proceedings commenced before JAMS in August 2012. Appx3788. Those arbitration proceedings continued through December 2013 when **[CONF]** bought out its remaining royalty obligations with a lump sum payment of **[CONF]**. Appx3788-Appx3789.

Newegg's allegation that AdjustaCam never intended to pursue its case to trial is unsupported rhetoric. The record shows that AdjustaCam litigated the case for over two years and that the case proceeded through *Markman* proceedings, through expert reports and depositions, and all the way through the filing of a proposed pretrial order. Appx1873. AdjustaCam only dismissed Newegg for the prudent reasons noted above.

F. Judge Davis's Original Denial Of Newegg's Prior Motion For Fees.

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royalty rate in the license being applied to what **[CONF]** represented were declining sales projections. *Id.*

On August 19, 2013, after these issues were briefed by both sides, and after an oral hearing had been conducted, Judge Davis issued a detailed, well-reasoned written opinion rejecting all of Newegg's meritless allegations for an exceptional case finding. Appx0004-Appx0011. Judge Davis decided Newegg's motions based upon the *Brooks Furniture* standard applicable at the time. Appx0005. *See Brooks Furniture Manufacturing, v. Dutailier International,* 383 F.3d 1378 (Fed. Cir. 2005).

G. The Appeal And Remand.

Newegg appealed Judge Davis's decision, and on May 14, 2014, this case was remanded by this Court for reconsideration "because the District Court must be afforded an opportunity to evaluate whether this case is 'exceptional' under the totality of the circumstances and a lower burden of proof, we vacate the District Court's denial of attorney fees and remand for reconsideration in light of *Octane Fitness*." *AdjustaCam v. Newegg*, 2015 WL 5449927, *9 (Fed. Cir. Sept 17, 2015). The panel also included a footnote that Newegg's arguments "appear to have significant merit, particularly their argument that AdjustaCam's continued pursuit of its infringement claims after the District Court construed the claim term 'rotatably attached' was baseless." *Id.* at n. 2. However, the Panel did not have the benefit of the full record before Judge Davis or Judge Gilstrap, nor was it able to assess the demeanor of the parties at the subject motion hearings. Judge Gilstrap gave due consideration to this footnote[15] and, based on the totality of the circumstances – including the matters discussed in lengthy briefing and during a lengthy hearing, as well as declarations from AdjustaCam's technical and damages experts – he exercised his discretion in denying Newegg's motion.

H. The District Court's Second Denial Of Newegg's § 285 Motion.

After allowing the parties to re-brief the issues and holding a hearing on remand, the Judge Gilstrap issued the second denial of Newegg's § 285 Motion, this time under the *Octane* standard. Demonstrating his understanding of the arguments being advanced by Newegg, Judge Gilstrap correctly summarized Newegg's "four primary arguments." Appx0001_5. In his Opinion denying Newegg's Motion, Judge Gilstrap found "[a]though the standard for evaluating exceptionality under § 285 has changed … the facts of the case themselves remain the same as when the Court originally denied Newegg and Sakar's requests for fees." Appx0001_4. Judge Gilstrap summarized the factual determinations and in-person evaluations made by Judge Davis, which Judge Gilstrap found "remain the same." Appx0001_5-Appx0001_6. All of thsese factual determinations weigh against any impropriety by AdjustaCam and against any exceptionality for this case. This "largely answers the question whether this case is exceptional under the Supreme Court's new test." *Bianco v. Globus Med.,* 2014 WL 1904228, *2 (E.D.Tex. May 12, 2014) (Bryson,

[15] *See, e.g.*, Appx0001_6 & Appx4274-Appx4335 at Appx4287-Appx4290.

J.).

Judge Gilstrap determined that "[t]hese fact-based assessments address and counter each of Newegg and Sakar's arguments." Appx0001_6. "Having considered the totality of the circumstances, as reflected in the record and affording due weight to the previous in-person evaluations announced by Judge Davis from his unique posture of having lived with this case and these parties," Judge Gilstrap concluded this was not an exceptional case under § 285. *Id.* Thus, "[a]fter a careful review of the entirety of the record, as well as the parties' arguments and additional briefing, the Court, in an exercise of its statutory grant of discretion, does not find that AdjustaCam's infringement and validity arguments were so weak, or its litigation conduct so poor, as to make this case stand out from others." Appx0001_6-Appx0001_7.

V. Summary Of The Argument

AdjustaCam's infringement claims were reasonable and meritorious, and were certainly not brought in bad faith, nor were they frivolous, meritless, or baseless. What Newegg alleges is a ball and socket joint is actually a constrained ball and socket joint because there is a channel that restricts movement, and this restricted movement results in two functionally independent joints which have ranges of movement independent of each other. Further, Newegg improperly seeks to restrict "rotatably attached" to being limited to a single axis of rotation at all times and in all configurations. Newegg's allegations that its webcams do not meet the "rotatably attached" element as construed by the Court are unsupported by any sworn evidence and they are erroneous. AdjustaCam's infringement position (1) was correct from a technical perspective; (2) follows the Court's construction; (3) was properly supported by AdjustaCam's technical expert, including via a report and sworn declaration; and (4) accords with the preferred embodiment. The District Court correctly found that AdjustaCam could reasonably have asserted infringement and that its continuation post-*Markman* was not litigation misconduct. Appx0001_5. Newegg argues that the District Court somehow misunderstood the infringement issues. To the contrary, as evidenced by its Order, the District Court was well aware of the parties' contentions, the facts and the issues.

AdjustaCam's validity arguments were reasonable and meritorious. The District Court correctly found that Newegg failed to demonstrate that AdjustaCam's validity arguments were baseless." Appx0001_6. As AdjustaCam's technical expert has explained in detail, the Irifune publication fails to disclose how a camera fully screwed down is "rotatably attached," because the camera would be unable to rotate once attached.

AdjustaCam did not extract nuisance settlements from any defendants. AdjustaCam's settlements were directly related to each Defendants' number of infringing units and an established royalty. Newegg's allegations of an "effective" royalty rate lower than $1.25 - $1.50 per webcam are based upon an unsworn report from Newegg's damages expert. The District Court properly gave such unsworn evidence little, if any, weight. In fact, the unsworn conclusions argued by Newegg are deeply flawed.

Newegg's appellate brief on its unsuccessful § 285 motion reads, in part, like a *Daubert* motion, making lengthy arguments for how AdjustaCam allegedly fell short of proving an "established royalty" or that prior licenses were "comparable" for purposes of a *Georgia-Pacific* reasonable royalty analysis. Such arguments are legally and factually incorrect, and also far afield of whether AdjustaCam's settlement positions consistent with its expert's opinions were reasonable and made in good faith. The **[CONF]** and Philips licenses that AdjustaCam relied upon to set its target royalty for settlement purposes were clearly "comparable" licenses, because they involved the same '343 patent and they were to the same type of product, webcams.

AdjustaCam did not "fabricate" a per-unit royalty to justify nuisance value settlements. AdjustaCam's target royalty of $1.25 - $1.50 per webcam was established years prior to this lawsuit in the Phillips and **[CONF]** Licenses. AdjustaCam's damages expert, Mr. Bratic, performed a detailed, reasoned, and well-founded analysis for purposes of his expert report, Appx0528–Appx0578 & Appx4123–Appx4178, which occurred well before any § 285 Motion was threatened or filed. The running royalties in those licenses set the precedent that AdjustaCam used throughout the case.

Newegg's allegation that "AdjustaCam offered no evidence to suggest that it ever approached any negotiations with an intention to obtain its alleged target royalty" is wholly unfounded. AdjustaCam's Rule 30(b)(6) designee and its damages expert made clear this had been the case. *See, e.g.,* Appx0528 – Appx0578, including Appx0545–Appx0559 (*e.g.*, "According to Mr. Wong the lump-sum payments were negotiated using a benchmark of at least $1.25 to $1.50 to estimated future sales."); Appx0656 – Appx0780, including Appx0663-Appx0666, Appx0689 – Appx0690 & Appx0694 – Appx0696; Appx0672 (expert deposition); and Appx0791 – Appx0799 (corporate deposition). The fact that AdjustaCam's corporate designee was unaware of specific sales amounts is immaterial, including since that was not even a Rule 30(b)(6) topic. Newegg chose not to depose the AdjustaCam representative who was actually involved in the negotiations, and settlement negotiations are typically conducted orally with no written record.

Newegg's complaints about its settlement negotiations with AdjustaCam are naïve and misguided. Newegg's apparent belief that it should only pay unit royalties for past infringement while getting a license permitting future infringement, without paying any royalties for such future infringement, is mistaken.

Newegg's allegations of "bad faith" and "litigation misconduct" are merely hyperbole appended to their meritless arguments regarding infringement, validity, and settlements. The District Court's well founded findings (*see* above and Appx0001_5-Appx0001_6) run contrary to all Newegg's assertions. These findings are not clearly erroneous and they alone are enough to affirm the District Court's denial of Newegg's § 285 Motion.

Looking at the totality of the circumstances and the case as a whole – including the merit in AdjustaCam's litigation positions, the lack of litigation misconduct, and the lack of bad faith, and when the District Court's factual determinations are given their due weight, it is inescapable that the District Court did not abuse its discretion.

VI. ARGUMENT

A. Legal Authorities

An exceptional case is now "one that stands out from the others with respect to the substantive strength of a party's litigating positions (considering both the governing law and the facts of the case) or the unreasonable manner in which it was litigated." *Octane Fitness v. Icon Health & Fitness*, 134 S.Ct. 1749, 1756 (2014). *See* 35 U.S.C. § 285. "District Courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.*

In *Octane*, the Supreme Court made clear that it is the "substantive strength of the party's litigating position" that is relevant to an exceptional case determination, not the correctness or eventual success of that position. *Id*. at 1756. This Court need only determine whether the District Court abused its discretion when it found that the party's litigating position was not so merit-less as to "stand out" from the norm and, thus, be exceptional. *Id*.; *SFA Systems*, 793 F3d at 1351.

The denial of a motion for fees under § 285 and the decision not to award expert fees under the District Court's inherent authority are reviewed for abuse of discretion. *See Highmark, Inc. v. Allcare Health Management Systems, Inc.,* 134 S.Ct. 1744, 1748 (2014); *MarcTec v. Johnson & Johnson*, 664 F.3d 907, 921 (Fed. Cir. 2012). Further, factual findings are reviewed under a clearly erroneous standard. *Highmark*, 134 S.Ct. at 1748.

B. Newegg Has Waived Any Arguments That Judge Davis's Prior Factual Findings Were Clearly Erroneous.

Judge Gilstrap's factual findings (summarized at Appx0001_5-Appx0001-6) repudiated all of Newegg's contentions. *See* Appx004-Appx011. This case has been remanded for a specific purpose – review of the facts under *Octane* instead of *Brooks*. "The mandate rule has two components—the limited remand rule, which arises from action by an appellate court, and the waiver rule, which arises from action (or inaction) by one of the parties." *U.S. v. O'Dell*, 320 F.3d 674, 679 (6th Cir. 2003). A District Court may not reconsider its own rulings made before appeal and not raised on appeal. Wright & Miller, Fed. Practice and Procedure § 4478.3 (2d ed. 2013). Put another way, "any issue that could have been but was not raised on appeal is waived and thus not remanded."[16] Newegg did not argue on its first appeal that Judge Davis's factual findings constituted clear error. Appx3794-Appx3856 (Newegg's Brief).[17] Rather, it argued that Judge Davis had abused his discretion in ruling this not to be an exceptional case. *See* Appx3794-Appx3856, *e.g.* at Appx3831("The District Court Abused its Discretion by Not Finding This Case Exceptional and Egregious") & p. 3489 ("The District Court's Actions Cumulatively Reveal Its Abuse Of Discretion"). Newegg waived the issue regarding factual findings once it filed its first appellate brief. Because Newegg did not appeal on the basis of clear error of any specific factual findings, that issue remains waived on remand. Thus, this Court should not accept Newegg's erroneous invitation to overturn or controvert Judge Davis's factual findings (which Judge Gilstrap cited with approval and adopted in his order) because that issue has been waived and would be inappropriate for what was a limited remanded proceeding.

C. Waiver Aside, Newegg's Arguments Lack Factual Merit. Adjustacam's Infringement Claims Against Newegg Were Never Baseless, Frivolous, Or Brought In Bad Faith Or For An Improper Purpose. Newegg's Non-Infringement Argument Lacks Competent Support Or Merit.

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[16] *U.S. v. Husband*, 312 F.3d 247, 250–51 (7th Cir. 2002); *see also O'Dell*, 320 F.3d at 679; *U.S. v. Ben Zvi*, 242 F.3d 89, 95 (2d Cir. 2001); *Ortega v. O'Connor*, 50 F.3d 778, 780 (9th Cir. 1995) (failure to raise issue on appeal precluded raising issue on remand); *Walnut Prop. v. Whittier*, 861 F.2d 1102, 1106 (9th Cir. 1988) (failure to challenge on prior appeal precluded challenge in subsequent appeal), *cert. denied*, 490 U.S. 1006 (1989).

[17] AdjustaCam's brief responsive to Newegg's is at Exhibit 3 thereto. The arguments therein are respectfully incorporated herein by reference to the extent not already contained herein.

As noted above, Newegg was dismissed from the case for prudent reasons. Newegg's allegation that it was dismissed because AdjustaCam's infringement case lacked merit is devoid of factual support.

Newegg's allegations of non-infringement by the allegedly "representative" RCM 8163 and Hercules Classic webcams lacks factual or technical merit. The only non-infringement argument raised by Newegg is a single claim limitation in the two independent Asserted Claims (claims 1 and 19) that the "hinge member" is "adapted to be rotatably attached" to the camera. As noted above, in its *Markman* Order, the District Court construed "rotatably attached" as "rotating over a single axis."

Newegg improperly seeks to restrict "rotatably attached" to being limited to a single axis of rotation at all times and in all configurations. However, the District Court's construction stated that rotatably attached objects in the patent-in-suit are limited to a single axis of rotation, not that rotatably attached objects in the patent-in-suit are limited to a single axis of rotation at all times and in all configurations.

AdjustaCam's infringement position on this issue is recited in detail in the Report and Declaration of its expert Dr. Muskivitch. *See* Appx3937 – Appx3975. The terms "rotation," "rotatable," "axial rotation," and "spin" are understood by AdjustaCam and by persons of ordinary skill in the art (a "POSITA") to refer to an object turning/spinning about an axis. Appx3947. The axial rotation of an object is combined with the angular orientation of the axis of rotation to define an orientation of the rotating object in three-dimensional space. *Id.* This angular orientation is measured with respect to a reference axis and is commonly called the 'tilt" of that axis. *Id.*

The combination of axial spin with the orientation of the axial tilt axis together define the rotation of an object about a single axis in three-dimensional space. *Id.* This rotation is fully defined by a specific position of the object in space at a specific instant in time and supported or unsupported in any disposition. *Id.* In reference to the '343 patent, the rotatable component (camera) is supported by the other components in the device in a manner that allows the camera to rotate about a central axis (called "first axis" in the patent). *Id.*

Another example of axial tilt and axial spin is a bowling ball. Appx3947. A bowling ball, like all rotating objects, spins on one axis at any particular instant in time. Appx3947. However, as the ball rolls down the bowling lane, the instantaneous vector of axial rotation can change to different axial tilt angles. Appx3947 – Appx3948.

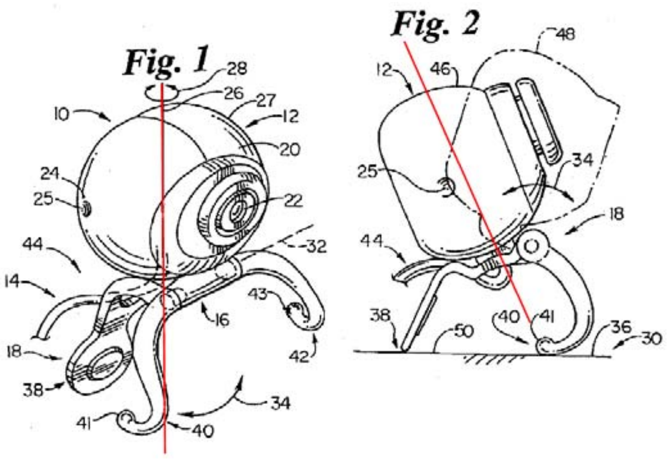
Another example of the combination of axial rotation combined with axial tilt is that earth changes in axial tilt over time due to forces (*e.g.*, gravity from nearby celestial objects) acting on it. *Id.* Although the earth's axis of rotation may shift in space, the earth still only rotates about one axis at any instant in time. *Id.*

Another example of axial tilt is found in amusement park rides that rotate at different angles and thus different axes, but at any instant in time there are only rotating on a single axis. Appx3949.

An example of axial tilt is a mounted camera, for example, a conventional camera on an adjustable tripod or a surveillance camera on an adjustable wall mount. *Id.* Panning (*i.e.*, rotating) and tilting (which allows panning at different axial tilt) are basic to cameras and cameras on adjustable tripods. *Id.* In fact, the preferred embodiment camera clip described and depicted in the '343 patent was able to pan and tilt. *Id. See* '343 patent, Abstract & 1:66-2:1.

The discussion "rotation / rotatably" and "attached" (and their appropriate combinations) above does not require the explicit use of the term "axial tilt." Appx3949. However, to AdjustaCam and to a POSITA, this is inherent in the definition of "rotation" as rotation defines the ability of a spinning object to spin at a multitude of axial tilts. *Id.* Such behavior inherent in the physical behavior called "rotation." *Id.*

Another example of axial tilt is the preferred embodiment webcam that is depicted in the '343 patent. Appx3950. This preferred embodiment discloses a pivot joint at pivot element 80 of hinge member 16. *Id.* As exemplified by Figures 1 and 2 (for which red lines have been added to show the orientation of axial tilt), because the hinge member rotates relative to the support frame and because the support frame is configurable and adjustable, the preferred embodiment camera is capable of being rotated on axial rotation at a variety of axial tilts, for example:

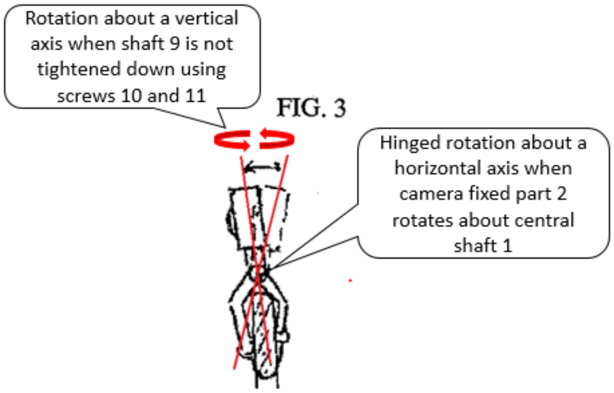


Id.

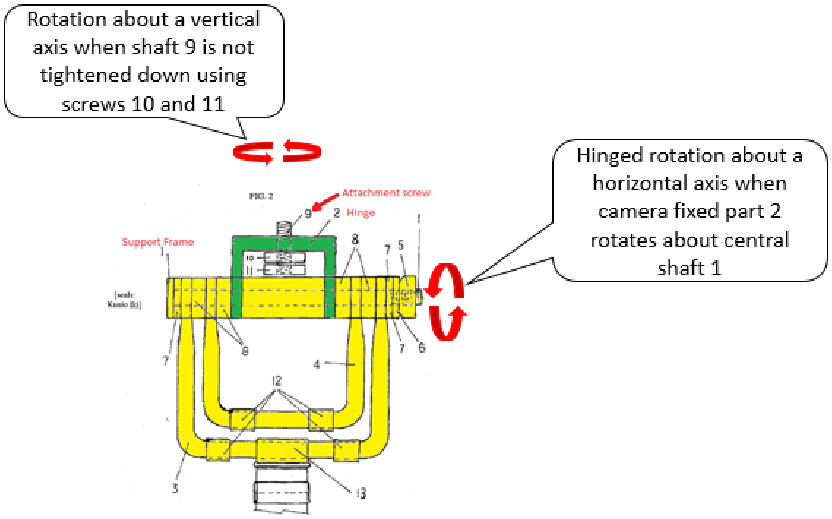
This is consistent with multiple claims which the support frame has a first disposition or is configured to support the hinge member on a "generally horizontal" surface. *See, e.g.*, Independent Claims 1, 10, 20, 22, 31, 40, 41, 44, 45, 46 & 47. As such, the claims envision that surfaces will not be uniformly horizontal, which would result in cameras having different axial tilts even when positioned perpendicular to the surface. This can also be shown with an actual preferred embodiment "Kritter Cam," as follows:

Appx3950-Appx3951. The same ability to rotate the camera on a tilted axis could be illustrated for the preferred embodiment, for example in Figures 2 or Figure 4, of the ‘343 patent. Appx3952.

Further, during the reexamination proceedings involving the ‘343 patent, no one argued or stated that prior art cited against the claims was limited to “a single axis of rotation” at all times and in all configurations. *Id.* For example, the device depicted in the Irifune publication is not limited to a single, fixed axis of rotation. For example, in the Irifune publication, fixed part 2 moves around central shaft 1 such that the camera can rotate (when not screwed down) along multiple axes. *Id.* This is exemplified by the following:


Rotation about a vertical axis when shaft 9 is not tightened down using screws 10 and 11
FIG. 3
Hinged rotation about a horizontal axis when camera fixed part 2 rotates about central shaft 1

and


Rotation about a vertical axis when shaft 9 is not tightened down using screws 10 and 11
Attachment screw
Hinge
Support Frame
Hinged rotation about a horizontal axis when camera fixed part 2 rotates about central shaft 1

Id.

To AdjustaCam and to a POSITA, it is axiomatic that a rotating object can only rotate about a "single" axis at any given point in time, which is consistent with the District Court's construction of "rotatably attached." Appx3953. The word "single" has apparently been misinterpreted by Newegg to mean that "rotatably attached" precludes rotation along a different axial tilt angles at different points in time or different configurations of the highly configurable camera clip. *Id.*

However, to AdjustaCam and to a POSITA, Newegg's interpretation of "single axis of rotation" to mean a single axis of rotation at all times and in all configurations is erroneous, including from a physics/engineering perspective, *id.*, and Newegg's interpretation goes beyond what is stated in the *Markman* ruling. AdjustaCam understands, and POSITA also understand, that an axial rotation is distinct along possibly varying axes of tilt at any particular instant in time, whether or not the axial tilt change. *Id.* Newegg's position is also contrary to the preferred embodiment in the '343 specification, and contrary to the implicit understanding of the USPTO, rejected original claims 1, 2, 5-8, 10, 14-17 and 19 based upon prior art, (*e.g.*, the camera clip in the Irifune reference) that did. *Id.*

If limited to Newegg's misinterpretation of "rotatably attached", the preferred embodiment would itself be excluded by the patent in which it is described. *Id.* Including in the absence of any indication to the contrary in the '343 patent or its prosecution history, AdjustaCam was reasonable to assume, and a POSITA would assume, that the "rotatably attached" would be construed in accordance with its ordinary meaning such that the claims would encompass the preferred embodiment webcam clip depicted in the figures and described in the specification.

For example, although the patent does not limit the disposition of the camera and camera clip, AdjustaCam appreciates, and a POSITA would know and appreciate, that one of the possible dispositions of the device can be defined as shown in below Fig. A and Fig B.[18]

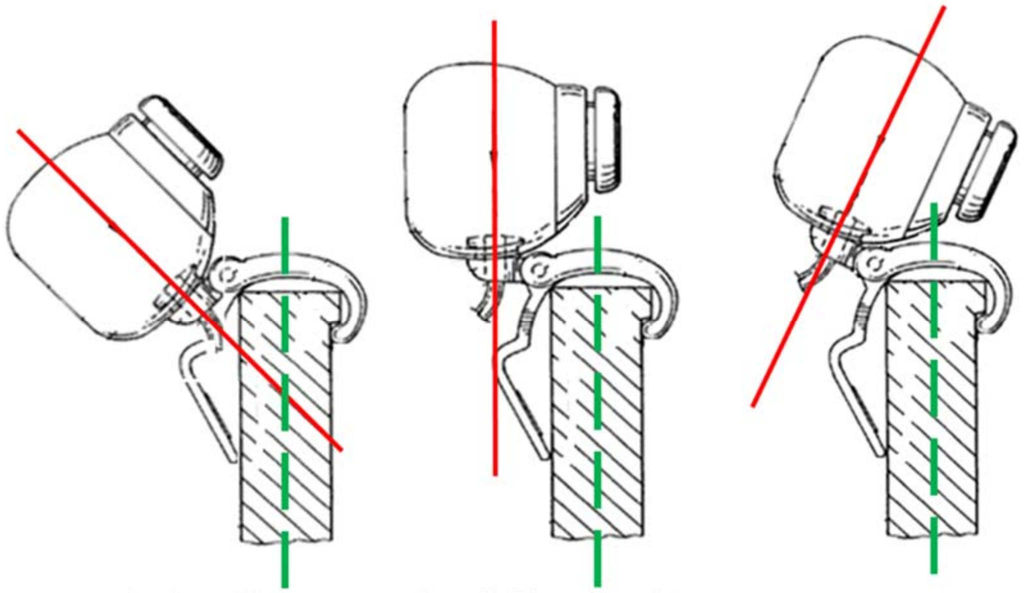


Figure A

Appx3953-Appx3954. Fig. A presents three different dispositions of the preferred embodiment attached to an object defined in the patent as a device which can easily be envisioned to be a screen for a laptop computer. Appx3954. Consistent with the patent, the first axis (red line) in each disposition is perpendicular to the second axis (the axis directed perpendicular to the plane of the paper, centered at the hinge joint). *Id.*

In each of the dispositions shown, the first axis defines the axis of rotation of

[18] These figures are edited versions of those shown in the patent for clarity of the present discussion. Appx3954.

the camera component where it is rotatably attached to the hinge member. *Id.* In each disposition, each first axis has identical positioning/orientation with respect to the camera component. *Id.* This permits rotation of the camera component about the first axis in each disposition. *Id.* In each case and at each disposition, the rotation is about a single axis. Appx3954 – Appx3955. The only difference in the dispositions is the difference in the angular orientation of each disposition's axis in space. This difference in angular orientation is the "tilt axis" or "angle of tilt". Appx3955.

If the tilt axis / tilt angle were not inherent in the definition of rotation, and if "rotatably" was construed as "single axis of rotation" meaning that the tilt axis must be affixed and immovable, then the preferred embodiment webcam clip depicted in the figures and described in the specification would be eliminated by the patent claims. *Id.* Further, if the definition of "rotatably" required an affixed and immovable tilt axis, that requirement would be explicit in the definition. *Id.*

If one was forced to limit the orientation of the first axis in any of the dispositions in Fig. A as the only axis about which camera rotation is permitted, one of the main purposes of the highly configurable camera clip of the invention – which can pan side to side and tilt up and down in order to orient the camera in desired orientation – would be defeated. *Id.* Indeed, since the preferred embodiment pictured and described in the patent rotates in multiple axes depending on its axial tilt, it would not even fall within the claims, even though a POSITA would read the '343 patent with the presumption that "rotatably" should be construed in accordance with its ordinary meaning to encompass the preferred embodiment. *Id.*

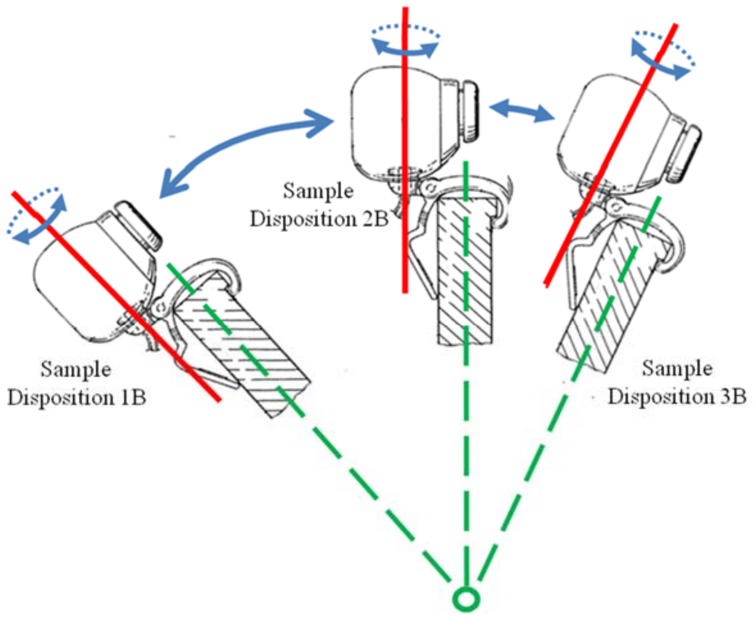


Figure B

Appx3956.

Fig. B presents three different dispositions of the preferred embodiment attached to an object defined in the patent as a device which can easily be envisioned to be a screen for a laptop computer. *Id.* Consistent with the patent, the first axis (red line) in each disposition is perpendicular to the second axis (the axis directed perpendicular to the plane of the paper, centered at the hinge joint). *Id.*

The sample dispositions in Fig. B are similar to those in Fig. A in that the orientation of the "first axis" in Sample Disposition 1B is identical in both Fig. A (Sample Disposition 1A) and Fig. B. *Id.* The three sample dispositions presented in

Fig A (A1, A2 and A3) and their corresponding sample dispositions in Fig B (B1, B2, and B3) differ in that those in Fig. A are a result of rotation about the "second axis", while those in Fig. B are a result of the positioning of the laptop computer screen, with no rotation of the camera about the second axis. Appx3956-Appx3957.

As was the case with Fig. A, in each of the Sample Dispositions shown in Fig. B, the first axis defines the axis of rotation of the camera component where it is rotatably attached to the hinge member. Appx3957. In each Sample Disposition, each first axis has identical positioning/orientation with respect to the camera component. *Id.* This permits rotation of the camera component about the first axis in each Sample Disposition. In each case and at each Sample Disposition, the rotation is about a single axis. *Id.* The only difference in the Sample Dispositions is the difference in the angular orientation of each disposition's axis in space. This difference in angular orientation is the "tilt axis" or "angle of tilt". *Id.* If the tilt axis / tilt angle were not inherent in the definition of rotation, and if "rotatably" was construed as "single axis of rotation" meaning that the tilt axis must be affixed and immovable, then the preferred embodiment webcam clip depicted in the figures and described in the specification would be eliminated by the patent claims. *Id.*

Further, the foregoing is consistent with the claim language wherein there is a second disposition or configuration when "first surface and said second surface" or "display screen" are "inclined from a generally horizontal orientation." *Id.; see,* *e.g.*, '343 Claims 1, 19, 21 and 22. There is no requirement anywhere in the '343 patent, including in the claims, that the "first surface and second surface" or "display screen" be inclined to any particular angle. In fact, display screens can be inclined to a variety of tilts depending on user preference. *Id.*

If one was forced to limit the orientation of the first axis in any of the Sample Dispositions in Fig. B (as in those in Fig. A) as the only axis about which camera rotation is permitted, one of the main purposes of the highly configurable camera clip of the invention – which can pan side to side and tilt up and down in order to orient the camera in desired orientation – would be defeated. Appx3957-Appx3958. Indeed, since the preferred embodiment pictured and described in the patent rotates in multiple axes depending on its axial tilt, it would not even fall within the claims, even though AdjustaCam was reasonable to read, and a POSITA would read, the '343 patent with the presumption that "rotatably" should be construed in accordance with its ordinary meaning to encompass the preferred embodiment. Appx3958.

As a person skilled in the art would understand, the correct interpretation of "limited to a single axis of rotation" would be one that inherently allows axial tilt and merely acknowledges that rotation necessarily occurs in a single axis of rotation at each angle of axial tilt. *Id.* To limit the "single axis of rotation" to an axis fixed in space is in direct conflict with the basic definition of rotation. *Id.* As discussed above, the definition of "rotation" does not impose any constraints limiting the rotation to a singular position in space. *Id.*

It should also be noted that original claims 1 and 19 of the ‘343 patent are different primarily because claim 1 involved rotatable attachment while claim 19 involved hinged attachment. *Id.* Regarding hinged attachment to a support frame, the ‘343 patent discloses that in a preferred embodiment, “[s]upport frame 18 is hingedly attached to hinge member 16 to engagingly support hinge member 16 on an object 30.” 4:21-20. *See also* 2:14-16; 3:40-41; 5:41-43. *Id.* AdjustaCam was reasonable to understand, an a POSITA would understand, that “hingedly attached” means attached by a hinge joint, which would limit rotation to a single *fixed* axis defined by the axis of the hinge mechanism. *Id.* Further, while a hinge member may include hinge joints and hinged attachments, the claims explicitly allow for broader attachments. Appx3959.

AdjustaCam’s infringement positions in this case vis a vis Newegg, were reasonable, meritorious and entirely consistent with the District Court’s construction. As also noted above, rotating objects, whether attached or not, always rotate in a single axis of rotation. *Id.* Newegg has sought to restrict “rotatably attached” to being limited to a single axis of rotation at all times and in all configurations, which, as noted above, is contrary to how a POSITA would understand the District Court’s construction, including in the context of the ‘343 patent and its prosecution history. *Id.* When a rotatable attached object is limited to a single axis of rotation in a first configuration it meets the claim limitation, and when a rotatably attached is limited to a single axis of rotation in second configuration is also meets the claim limitation, and so on for other configurations as well. Appx3960.

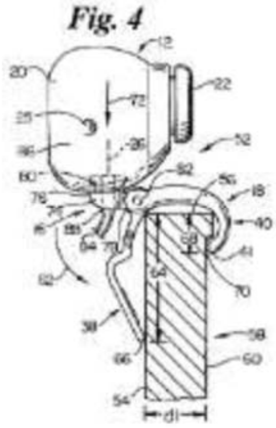
Further, as the District Court correctly held, what Newegg alleges is a ball and socket joint is actually a "constrained" or modified ball and socket joint. *Id.* It is a modified ball and socket joint because there is a channel that restricts movement, as noted by the following red arrows:

Appx3961. This restricted movement results in two functionally independent joints which have ranges of movement independent of each other. *Id.* One of these joints – the one which allows the camera to pan left and right relative to its base – meets the claim limitation of the hinge member being rotatably attached to the camera in a single axis of rotation. *Id.; see also* Appx0471-Appx0472; Appx0475-Appx0488; Appx0495-Appx0496 and Appx0518-Appx0520.

An analogous example of functionally separate and distinct joints located at one junction are the humeroulnar and humeroradial joints at one's elbow. Appx3961;

Appx0518. The humeroulnar joint is essentially a hinge joint that allows flexion and extension. *Id.* The humeroradial joint is a combined hinge and pivot joint that permits flexion and extension as well as rotation. Appx3961-Appx3962. Each of these can function independently in any number of orientations/configurations. Appx3962.

AdjustaCam's infringement position was consistent with the physical make-up of Newegg's infringing products and a correct reading of the District Court's construction of "rotatably attached. *Id.* Further, it was consistent with the preferred embodiment of the '343 patent. *Id.* As illustrated below, the preferred embodiment webcam has essentially the same configurability and range of movement as either the Rosewill or the Hercules webcams:



Id.

Newegg's allegation that the allegedly representative Rosewill RCM 1863 and Hercules Classic webcams do not meet the "rotatably attached" element (as construed by the District Court) lacks merit. AdjustaCam's infringement position (1) is correct from a technical perspective; (2) follows the District Court's construction; (3) is properly supported by reasoned, sworn analysis from AdjustaCam's technical expert; and (4) accords with the preferred embodiment. As set forth in detail in the Muskivitch Report and sworn Declaration, AdjustaCam had ample basis, in fact meritorious basis, to contend that Newegg infringed the asserted claims. *See* Appx3937 – Appx3975 at Appx3945 – Appx3965; Appx3984 – Appx4017 and Appx4032 - Appx4038. In contrast, Newegg has no sworn evidence of record to support this argument or any other non-infringement or invalidity argument in its brief.

Newegg complains about a statement in Dr. Muskivitch's deposition testimony about a camera that "may" be able to move to the side. During this part of his testimony, Dr. Muskivitch was trying to recall whether that webcam could wobble due to manufacturing imprecision and loose dimensional design tolerances. Appx3962; Appx0489... However, later in the same exchange in his deposition Dr Muskivitch made clear that he was referring to "two separate, independent motions," not three. Appx0489. In the full context of this deposition it should have been clear to Newegg that Dr. Muskivitch was repeatedly and consistently referring to two functionally independent joints which have ranges of movement independent of each other. Appx0456-Appx0520, including at Appx0466-0468; Appx0472-

Appx0473; Appx0476-Appx0479; Appx0482-Appx0492. References to the two functionally independent joints with independent ranges of movement have been Dr. Muskivitch's consistent opinion and view in his expert report, deposition and declaration. *Id.*

D. Newegg's Invalidity Contentions On The Ma Patent Run Contrary To Its Current Restrictive View Of "Rotatably Attached."

The invalidity contentions of Newegg contended that, among other references, the Ma patent meets the "rotatably attached" limitation. Appx4205–Appx4121. Regarding the Ma patent (Appx1417-Appx1422), Newegg contended that the hinge member was "the upper part of the circuit box 3 and a downward tubular revolving shaft 21." Appx4210. This is depicted as follows:

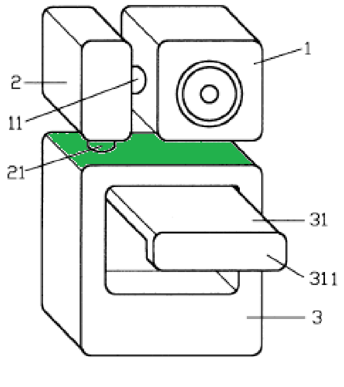


FIG. 1

As can be seen, what Newegg contends to be the camera, which is photographic lens assembly 1, rotates about two perpendicular axes relative to what Newegg contends is the hinge member. Appx3965. This is illustrated by the following:

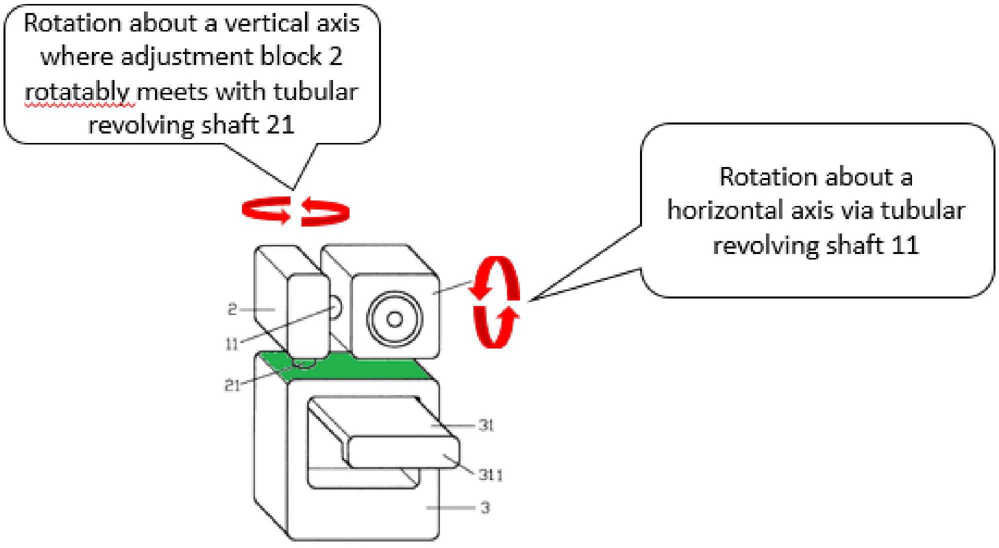

Rotation about a vertical axis where adjustment block 2 rotatably meets with tubular revolving shaft 21
Rotation about a horizontal axis via tubular revolving shaft 11
2
11
21
31
311
3

FIG. 1

Appx3966.

To a POSITA, if AdjustaCam's infringement theory for "rotatably attached" versus Newegg's webcams was meritless, baseless or frivolous as alleged (which it is not) then Newegg's invalidity contentions relative to the Ma patent would also be meritless, baseless or frivolous for the same or very similar reasons. *Id.*

Further, although the USPTO ultimately withdrew its objections based upon the Ma '783 patent for different reasons, during reexamination proceedings the USPTO took the position that "support frame (3) [is] rotatably attached to the hinge member (via 2 and 21)" about a second axis of rotation (2)." Appx3964. The foregoing is illustrated by Figure 2 from Irifune and Figure 1 from Ma, as follows:

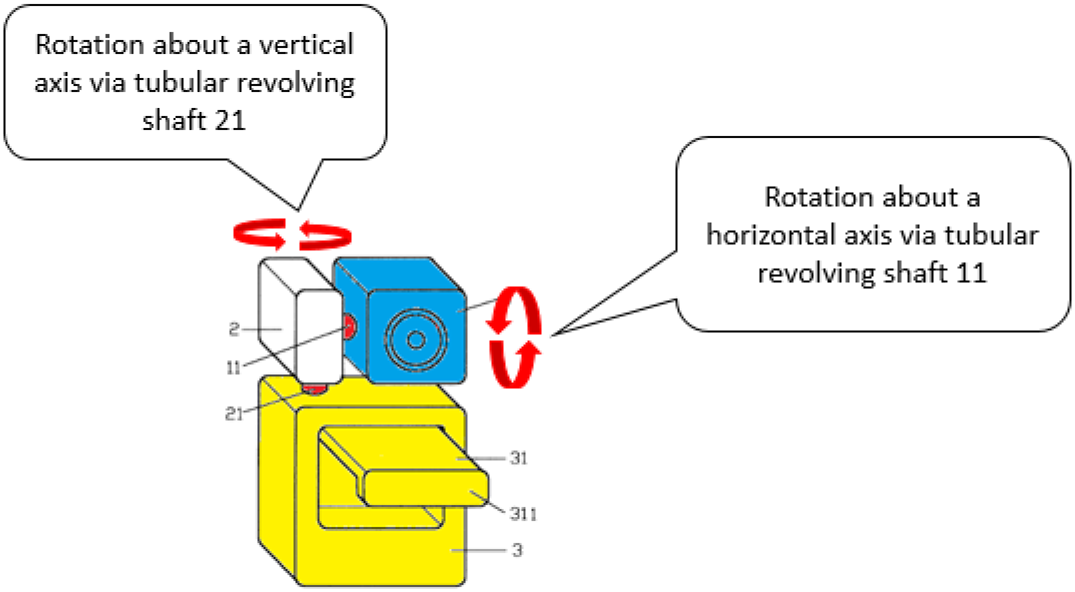

Rotation about a vertical axis via tubular revolving shaft 21
Rotation about a horizontal axis via tubular revolving shaft 11
2
11
21
31
311
3

FIG. 1

Id.

The USPTO was not bound by this Court's construction of "rotatably attached." However, the USPTO is obliged to apply the "broadest reasonable construction" to claim terms. From AdjustaCam's perspective and from the perspective of a POSITA, the USPTO's non-issue with the Ma camera rotating about two separate and different axes – similar in concept to Newegg's webcams at issue in this case – was a reasonable position. Appx3965.

E. The Reliance Of Newegg On The Dovey Patent Runs Contrary To Its Current Restrictive View Of "Rotatably Attached"

The invalidity contentions of Newegg, as well as the report of its technical expert Dr. Klopp, also contended that, among other references, the Ma patent and U.S. Patent No. 4,526,308 to Dovey (Appx4232-Appx4237) meet the "rotatably attached" limitation. Appx3966. The device of the Dovey patent is as follows:

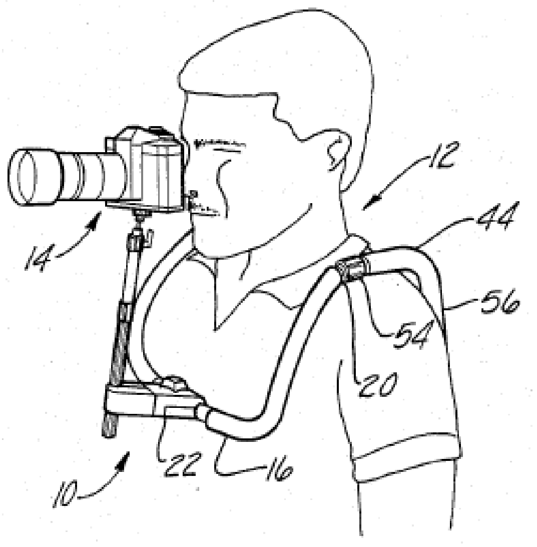
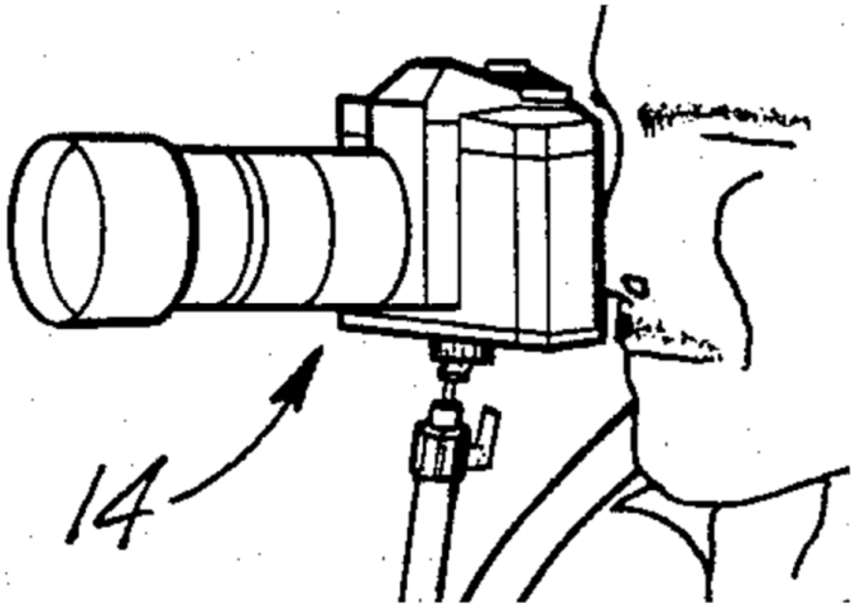


Fig-1

Appx4232. As depicted above and as described at column 2, lines 63-65 of the Dovey patent, the camera is "mounted via a suitable, conventional bayonet mounting, to one end of the mounting tube 42. Appx4235. A close up of this bayonet mount is as follows:



Appx4233. As a POSITA would know, and as many photographers would know, a conventional bayonet mount like the one depicted in Dovey has a ball and socket joint. Appx3967. A better image of a conventional bayonet mount is as follows:

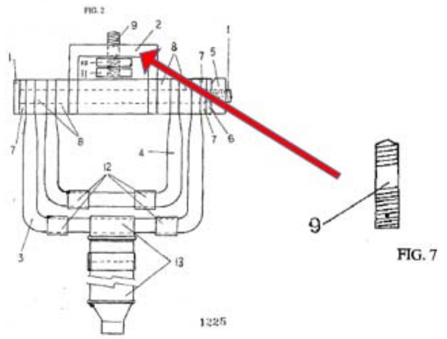
Appx3968.

Unlike the restricted ball and socket joints currently at issue, the ball and socket joint of the Dovey patent has no restrictions on the axis of rotation for the camera. *Id.* To a POSITA, if AdjustaCam's infringement theory for "rotatably attached" versus Newegg's webcams was meritless, baseless or frivolous as Newegg alleges, then Newegg's infringement contentions and expert opinions relative to the Dovey patent would also be meritless, baseless or frivolous for at least the same or very similar reasons. *Id.*

F. Adjustacam's Validity Arguments Were Meritorious And Not Baseless.

The claims of the '343 patent are presumed valid and invalidity must be proven by clear and convincing evidence. Newegg complains that AdjustaCam worked to protect its intellectual property rights by traversing rejections during reexamination proceedings for the '343 patent. However, AdjustaCam had every right to traverse the USPTO's rejections, including because the USPTO's reasoning was flawed. Here, Newegg appears to focus upon their contention that the alleged Irifune publication (Appx1377-Appx1396) meets the "rotatably attached" limitation in claims 1 and 19.

However, Irifune does not meet the "rotatably attached" limitation in the Asserted Claims for the reason's set forth in the Report and Declaration of AdjustaCam's technical expert Dr. Muskivitch. Appx3969 – Appx3975 (Declaration); Appx4040 – Appx4121 at Appx4055- Appx4066 (Invalidity Report). This is illustrated by Fig. 2 of Irifune and by the illustration of screw (9) as follows:



Appx3969.

As stated in Dr. Muskivitch's report and declaration, a camera partially threaded onto camera attachment shaft 9 is not "rotatably attached" because:

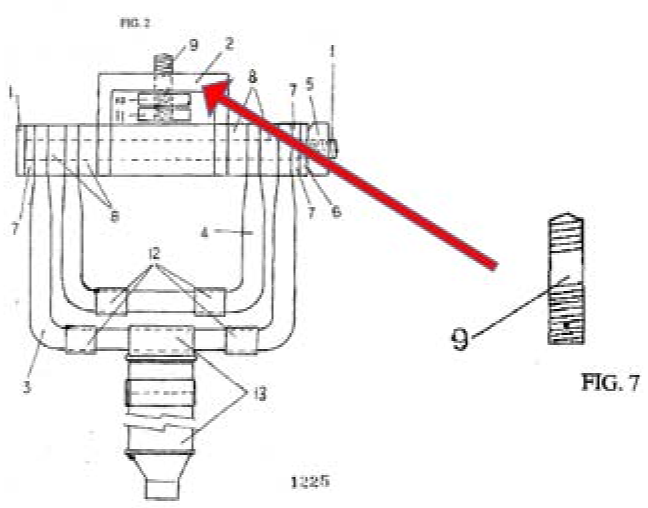
> … camera attachment shaft 9 can freely pass through the opening of the camera fixed part 2. Thus, camera fixed part merely has a hole that

> allows the camera attachment shaft 9 to cleanly pass through and be screwed into a camera. Thus, Irifune merely disclose a hole that allows a camera attachment shaft 9 to pass there through and provide for secure tightening of the camera to be in contact with the camera fixed part 2 so that it is in a tight, stable, fixed position when fully screwed to the camera attachment shaft.

Appx3970. Further, the Muskivitch declaration describes how Irifune fails to disclose how a camera fully screwed down is "rotatably attached," including as follows:

> Irifune discloses that a camera can be screwed onto a mounting device using a camera attachment shaft 9 and camera attachment screws 10 and 11. The purpose of the camera attachment shaft and screws is to attach the camera to the camera fixed part 2. Once the camera is attached to the camera fixed part 2, the camera cannot rotate about a first axis relative to the hinge member. The purpose of the camera attachment shaft 2 is to tightly secure the camera to the camera fixed part so that it is stable and does not rotate. Thus, for the camera to be rotatable, it must be un-tightened and thus unattached and unstable.

Id. This is illustrated by Fig. 2 of Irifune and by the illustration of screw (9) as follows:



Appx3968 – Appx3969. A real world example similar to camera attachment shaft 9 of Irifune is a piece of pipe that is threaded on both ends, for example as follows:

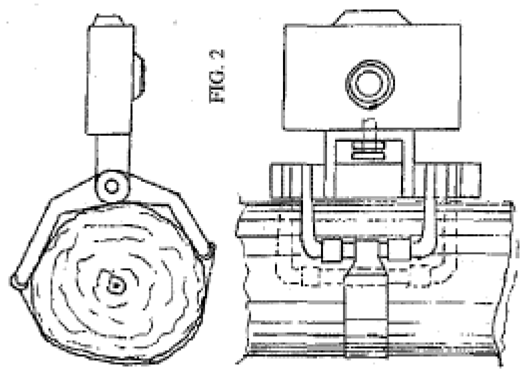
Appx3969 If, for example, one passed the non-threaded portion of this pipe through a hole such as the hole in Irifune's "hinge member," it would not be attached to that hole or to the structure in which the hole was made. *Id.* Similarly, if the non-threaded portion of this pipe was situated to pass through a hole in a wall having a larger diameter such that the pipe could freely pass through (similar to the hole in the Irifune device), then it would not be deemed by a POSITA to be attached to that wall. Appx3969 – Appx3970.

A camera partially threaded onto camera attachment shaft 9 is not "rotatably attached" because camera attachment shaft 9 can freely pass through the opening of the camera fixed part 2. Appx3970. Thus, camera fixed part merely has a hole that allows the camera attachment shaft 9 to cleanly pass through and be screwed into a camera. *Id.* Thus, Irifune merely disclose a hole that allows a camera attachment shaft 9 to pass there through and provide for secure tightening of the camera to be in contact with the camera fixed part 2 so that it is in a tight, stable, fixed position when fully screwed to the camera attachment shaft. *Id.* Further, Irifune discloses that a camera can be screwed onto a mounting device using a camera attachment shaft 9 and camera attachment screws 10 and 11. *Id.* The purpose of the camera attachment shaft and screws is to attach the camera to the camera fixed part 2. *Id.* Once the camera is attached to the camera fixed part 2, the camera cannot rotate about a first axis relative to the hinge member . . . the purpose of the camera attachment shaft 2 is to tightly secure the camera to the camera fixed part so that it does not rotate. *Id.* Thus, for the camera to be rotatable, it must be un-tightened and thus unattached and unstable. *Id.* Thus, Irifune lacks a "rotatable attachment" because the camera either has to be screwed tightly down, in which case it is not rotatable, or it has to be loosely appended via an unthreaded hole, in which case it is not attached. *Id.*

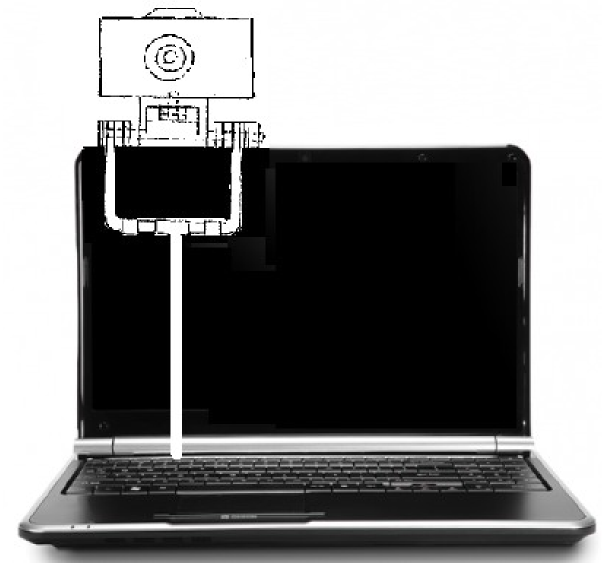
Newegg takes issue with the dictionary definitions cited in the expert report of AdjustaCam's expert Dr. Muskivitch that attached means permanently fixed, joined, connected, or bound. Apparently Newegg only take issue with the word "permanently" being "restrictive," even though the definition is a valid definition taken from common dictionaries. *Id.* & Appx4057. However, the Irifune device would not meet the "rotatably attached" element even if attached was defined as fixed, joined, connected, or bound. Appx3970. This is for the reasons stated above, including that Irifune lacks a "rotatable attachment" because the camera either has to be screwed tightly down, in which case it is not rotatable, or it has to be loosely appended via an unthreaded hole, in case it is not fixed, joined, connected, or bound. Appx3970 – Appx3971.

Conversely, Newegg appears to contend that AdjustaCam's distinctions of Irifune lacked merit because "if the camera disclosed in the '343 Patent was "permanently fixed to," or had to be "fully tightened down to" the hinge member, then the camera could not rotate about the first axis of rotation as the Asserted Claims and specification require." Appx3971. Newegg's contention lacks merit, including because a permanently attached camera can rotate about a first axis of rotation. *Id.* In fact, as a result of the reexamination proceedings instituted by Defendants, the USPTO has allowed multiple new claims, including independent claims 20 and 44, both of which comprise: "a hinge member adapted to be rotatably and permanently attached to the camera, said camera, when the hinge member is so permanently attached, rotating, about a first axis of rotation, relative to said hinge member . . ." *Id.* As stated by the USPTO, "Claim 22 requires 'a hinge member adapted to be rotatably and permanently attached to the camera'. Similarly, claim 40 requires 'a hinge member adapted to be permanently rotatably attached to the camera' and claim 41 requires 'a hinge member adapted to be permanently rotatably joined to the camera. This type of connection is not shown by the cited art." *Id.*; Appx3971 & Appx1495 – Appx1512 at Appx1507. The second part of Newegg's argument is that if a camera was "fully tightened down" to the hinge member, then the "camera could not rotate about the first axis of rotation as the Asserted Claims and specification require." Contrary to Newegg's assertions this is one of the reasons that Irifune does *not* meet the "rotatably attached" limitation. *Id.*

In addition, AdjustaCam has pointed out a number of other reasons that Irifune does not anticipate various asserted claims of the '343 patent, none of which are addressed in Newegg's renewed motion or appellate briefing. Appx3961 – Appx3972.For example, claim 7 of the '343 patent covers an "[a]pparatus according to claim 1 wherein the object is a display screen for a laptop computer, and the second surface is the front of the display screen and the first surface is the back of the display screen." Appx3972. Yet there is no disclosure in Irifune of the "object" of claim 1 being a display screen for a laptop computer. Claim 1 requires that the support frame support the hinge member on the object. *Id.* The only objects disclosed by Irifune for putting a support frame upon are "the back of a chair, tree, guard rail, wall, or fence." *Id. See* Irifune at Appx1383 and Figs. 10 and 11. Further, the Irifune device is wholly inappropriate for, and teaches away from, mounting on a laptop computer Appx3972. First, the Irifune device has long legs, the front of which would be inappropriate for use with a laptop. *Id.* The front leg of the Irifune device, as well as the strap, would block a large section of a laptop screen, which would be unacceptable. *Id.* Second, for stability the Irifune device employs rubber cord belt (13), which is illustrated on Fig. 11, as follows:



Id. Further, rubber cord (13) of Irifune would be wholly inappropriate for use with a laptop screen, including because it appears too short, and because it would block part of the screen. Appx3973. A fair depiction of the Irifune device on a laptop display screen would be as follows:



Id. This, would be unacceptable and inappropriate, including to a POSITA. *Id.*

Newegg's Brief does not even address these other reasons why certain Asserted Claims could not be anticipated by Irifune.

To summarize, Irifune lacks a "rotatable attachment" because the camera either has to be screwed tightly down, in which case it is not rotatable, or it has to be loosely appended via an unthreaded hole, in which case it is not attached. As set forth in detail in the Muskivitch Report and Declaration, AdjustaCam had ample basis, in fact meritorious basis, to contend that Irifune was not invalidating. *See* Appx3968 – Appx3973.

Although the USPTO issued final rejections based upon Irifune in September 2012, the USPTO took many months to reach a final decision, it is not perfect, and those final rejections were erroneous. Nonetheless, since the appellate process is lengthy and expensive, AdjustaCam made the strategic decision to cancel the asserted claims in order to expedite the issuance of a reexamination certificate containing new and amended claims, all of which were deemed patentable over Irifune.

Newegg alleges that AdjustaCam's distinctions of Irifune were meritless because "if the camera disclosed in the '343 Patent was "permanently fixed to," or had to be "fully tightened down to" the hinge member, then the camera could not rotate about the first axis of rotation as the Asserted Claims and specification require." Newegg is both mistaken and confused. Newegg is mistaken because a permanently attached camera can rotate about a first axis of rotation. In fact, the USPTO has acknowledged this. In particular, as a result of the reexamination proceedings instituted by Defendants, the USPTO has allowed multiple new claims, including independent claims 20 and 44, both of which comprise: "a hinge member adapted to be rotatably and permanently attached to the camera, said camera, when the hinge member is so permanently attached, rotating, about a first axis of rotation, relative to said hinge member . . ." Appx0420; Appx3777-Appx3788. As stated by the USPTO, claim 22 requires "a hinge member adapted to be rotatably and permanently attached to the camera." Similarly, claim 40 requires "a hinge member adapted to be permanently rotatably attached to the camera" and claim 41 requires "a hinge member adapted to be permanently rotatably joined to the camera." This type of connection is not shown by the cited art. Appx0420; Appx3788.

In the second part of its argument – which asserts that if a camera was "fully tightened down" to the hinge member, then the "camera could not rotate about the first axis of rotation as the Asserted Claims and specification require" – Newegg is confused as this is one of the reasons that Irifune does not meet the "rotatably attached" limitation. Apparently, in its confusion, Newegg agrees with AdjustaCam's position distinguishing Irifune.

Newegg complains that AdjustaCam's expert used an unduly narrow definition of attached. Despite the lack of foundation for Newegg's allegation, the non-infringement opinion of AdjustaCam's expert did not depend upon any "permanently" limitation. The Irifune publication would not anticipate the asserted claims even if Newegg's suggested definition was applied.

Newegg argues that the arguments advanced by AdjustaCam contradicted its proposed construction of 'rotatably attached' because an object 'permanently fixed' to another object is allegedly not 'capable of being rotated.'" Here again, as noted above, the USPTO has agreed with AdjustaCam that being permanently attached is not inconsistent with being rotatably attached.

Finally, Newegg's complaint that the District Court's Order does not mention Irifune by name is meritless. Irifune was clearly the gist of Newegg's invalidity arguments which the District Court appropriately found had not been proven and did not justify an exceptional case finding.

G. There Has Been No Bad Faith Or Litigation Misconduct By Adjustacam. Adjustacam Did Not Bring This Case For Any Bad-Faith Or Other Purpose Of Extracting Nuisance-Value Settlements.

Newegg's allegations about AdjustaCam's alleged motives and thought processes are unfounded speculation and hyperbole. Newegg's allegations of "bad faith" and "litigation misconduct" are merely hyperbole appended to their meritless arguments regarding infringement, validity, and settlements. However, including for the reasons discussed above, the District Court weighed the facts and engaged in a wholesale rejection of Newegg's meritless positions. The District Court's eleven well-founded findings all run contrary to Newegg's assertions. Appx0001_5-Appx0001_6. These findings alone are enough to affirm the District Court's denial of Newegg's § 285 Motion.

The amounts of AdjustaCam's settlements with the various defendants are directly related to its target royalty of $1.25-$1.50 per webcam. This royalty rate was established many years before this suit and before AdjustaCam even obtained rights in the '343 patent. Certainly there was nothing nuisance value about the primary **[CONF]** license that helped provide a framework for AdjustaCam's royalty metric. As noted above, **[CONF]** ultimately has paid at least **[CONF]** in royalties under its license agreement, culminating in a lump sum payment of **[CONF]** in December 2013. Appx3789. These large numbers are far from what anyone could reasonably call nuisance value. *See SFA*, 793 F.3d at 1351.

AdjustaCam's damages expert, Mr. Bratic, issued an extensive, well-reasoned report opining that the reasonable royalty for infringement of the '343 patent is $1.25-$1.50 per webcam. Appx0528 – Appx0578 & Appx0605 – Appx0606; Appx0620 – Appx0622; Appx0631 – Appx0633; *See* Appx0656 – Appx0790 (Bratic depo); Appx4123 – 4178 (Bratic Declaration submitted to Judge Gilstrap).

As discussed in the Bratic damages Declaration and Report, on October 22, 2011, AdjustaCam's predecessor PAR Technologies entered into a Settlement and License Agreement with Philips. Appx4135. This agreement called for running royalties on webcam sales as follows: 0 – 20,000 units: $1.00 / unit; 20,001 - 40,000: $2.00 / unit; 40,001 - 60,000: $6.00 / unit; and more than 60,000: $8.00 / unit. *Id.* at p. 16. Using the unit ranges of 0 - 20,000 ($1.00 / unit) and 20,001 - 40,000 ($2.00 / unit) as a conservative baseline, PAR was expected to receive an average royalty payment of approximately $1.50 per licensed product. Appx4135-4136. To date, Phillips has paid a total of **[CONF]**, of which **[CONF]** was paid in January 2011 after AdjustaCam had become the exclusive licensee. Appx4136. These amounts were calculated by Phillips based upon the royalty rate in the license being applied to royalty bearing webcams. *Id.*

Further, as detailed in the Bratic damages Declaration and Report, on December 31, 2001, PAR entered into a Settlement and License Agreement with **[CONF]** involving rights to the '343 Patent. Appx4137. That agreement called for running royalties of $1.25 per webcam for total aggregate royalties up to **[CONF]**. *Id.* In fact, to date **[CONF]** has paid post-suit running royalties on over **[CONF]**, Appx3789 & Appx4138, which is far from "nuisance value." *See, SFA, supra.*

In its licensing program for this litigation, AdjustaCam used this $1.25 - $1.50 per webcam royalty rate as a baseline for licensing the various defendants. *See, e.g.*, Appx0528 – Appx0578, including Appx0545–Appx0559; Appx0656 – Appx0780, including Appx0663-Appx0666, Appx0689 – Appx0690 & Appx0694 – Appx0696; Appx0672 (expert deposition); Appx0791 – Appx0799 (corporate deposition); Appx3773. Specifically, AdjustaCam entered into six (6) settlement and license agreements for rights to the '343 Patent that included both a lump-sum payment relating to a certain number of units of webcams and also a running royalty rate for sales of webcams that exceed the units sold that were covered by the lump-sum payment. Appx3773. The implied royalty rate related to the lump-sum payments was approximately $1.50 per unit for five license agreements and $1.25 per unit for one license agreement. *Id.* The running royalty rates for sales of units exceeding the volume included in the lump-sum payments for each of the six (6) licenses were $1.50 per unit. *Id.*

Further, AdjustaCam entered into 14 settlement and license agreements for rights to the '343 Patent that included only a paid up, lump-sum payment. Appx3773-3774. For these licenses AdjustaCam also considered, and negotiated using the benchmark of the same $1.25 to $1.50 per unit royalty rates its predecessor had obtained from the Philips and **[CONF]** licenses discussed above. *Id.*

AdjustaCam's use of the $1.25 - $1.50 benchmark for its licensing negotiations with the various defendants was explained in detail in the deposition of AdjustaCam's Rule 30(b)(6) designee and by AdjustaCam's damages expert, Mr. Bratic. Appx0528 – Appx0578, including Appx0545–Appx0559; Appx0656 – Appx0780, including Appx0663-Appx0666, Appx0689 – Appx0690 & Appx0694 – Appx0696; Appx0672; Appx0791 – Appx0799 (30(b)(6) deposition); Appx3773-Appx3774. AdjustaCam's expert explains in detail how the sums paid to AdjustaCam in settlement tie directly to this $1.25 - $1.50 benchmark. The amounts of settlement agreements with AdjustaCam are tied to the value of the patented technology, not to any "nuisance value."

Newegg's Motion relies upon Newegg's own damages expert's unsworn opinions without laying any predicate for those opinions being well founded or reliable. In fact, they are deeply flawed. For example, Dr. Sullivan's purported "imputed royalty" calculations (1) improperly include sales volumes for webcam sales for which no royalties were recoverable due to the lack of pre-suit marking; (2) improperly fail to account for the fact that some defendants' infringing sales numbers declined via the doctrine of exhaustion once companies upstream of them took licenses; (3) improperly include sales numbers which were not provided to

AdjustaCam when the licenses were negotiated; and (4) improperly include assumptions of linear sales into the future, despite the fact that Dr. Sullivan also opines that webcam sales are in a decline. Appx3774.

When Newegg points out small sales by many of the former defendants in this case, it is showing how many defendants simply lacked substantial sales of infringing webcams. Those defendants appropriately paid relatively small amounts. In some cases, Newegg complains that small defendants paid too much based upon the fuzzy math employed by Newegg's expert, who was simply uniformed of what occurred during actual settlement negotiations and instead chose to speculate on what might have happened.

Further, Newegg complains about AdjustaCam's $1.25 - $1.50 per webcam settlement metric, while sidestepping the fact that its damages expert opined that royalties should be only 7 cents per webcam. Settlements in this case would have been even smaller had Newegg's damages theory been the basis for settlements. Presumably with even smaller settlements, Newegg would cry wolf even more loudly about modest settlements somehow translating into bad faith. The fact of the matter is that both sides to this litigation were aware that damages would be modest whichever view of the proper royalty rate was applied, because the sales numbers for disputed webcams simply were not that high.

Newegg cannot point to anything about those settlements that meaningfully represents "indicia of extortion" that would be indicative of a potential exceptional case. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011). In fact, cases that have found extortion-type settlement tactics have almost uniformly based them upon baseless infringement positions[19] – something that Newegg has not, and cannot, prove.

As Judge Davis correctly acknowledged, there is "no minimum damages requirement" in a patent case, and absent indicia of extortion (which are not present in this case), settlement amounts less than the cost of litigation are not indicative of improper conduct or an exceptional case. Appx0007. *See also Site Update Solutions v. Accor North America, et al.*, N.D. Cal. 5:11-cv-03306-PSG Dkt. 665 (N.D. Cal. May 21, 2013). As reported by Lex Machina, the median damages awards in all patent cases are below the average cost of defense.[20] Although AdjustaCam is not aware of reliable statistics on patent settlements because most are confidential, it stands to reason that median settlement amounts are well below the median damage awards, since settlements are often discounted to reflect litigation risks. In any event, in cases with low damages due to low sales of infringing articles, it is axiomatic that settlements, or for that matter damages awards, would be below the median cost off defense.

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[19] *See, e.g., Eon-Net*, 653 F.3d at 1327; *MarcTec v. Johnson & Johnson*, 664 F.3d 907 (Fed. Cir. 2012).

[20] According to statistics gathered by independent firm Lex Machina, the median damage award in patent cases in 2012 was $1,027,447.34. http://pages.lexmachina.com/rs/lexmachina/images/LexMachina-2013%20Patent%20Litigation%20 Year%20in %20 Review.pdf?aliId=615153.

Finally, Newegg's diatribe about alleged nuisance value cases being apparently *per se* exceptional is erroneous, and it is also waived since it was not argued in the District Court. *See* Appx3720-Appx3739, including at Appx3735-Appx3738. To the extent that Newegg is arguing that low value infringement should be insulated from court remedy, that is simply baseless. Further, even though a meritorious case with low damages is a far different issue than a "nuisance value" case, in *Octane* the Supreme Court was clear that § 285 rulings are discretionary and they are based on the totality of the circumstances. Newegg was only dismissed after all of its suppliers, culminating in HP and Gearhead, settled out, this leaving Newegg's damages exposure *de minimus*, although Newegg had a damages expert and the larger defendant, Sakar, did not. Newegg has not shown that the District Court clearly erred in finding that AdjustaCam acted reasonably on the merits and that it did not bring this litigation for improper purposes, nor has Newegg made any persuasive case for a legal doctrine to make alleged nuisance value cases *per se* exceptional.

H. Newegg's Complaints About Its Settlement Negotiations With Adjustacam Are Naïve And Misguided.

Newegg's recitation of what occurred at mediation is naïve and misguided. In the first instance, Newegg admits it disclosed infringing sales of approximately

20,000 units for approximately one year's worth of sales since suit had been filed. Applying AdjustaCam's $1.50 royalty target to those units results in royalties of $30,000 for past infringement. For its opening settlement number, AdjustaCam naturally increased that number – to $75,000 – to account for both past and expected future infringement for the life of the '343 patent. Appx0344. Newegg's apparent belief that settlements, which necessarily would include a license going forward, should only include compensation for past infringement is naïve and unrealistic. Further, Newegg's apparent belief that an opening settlement offer must be a litigants' bottom line number is also naïve and unrealistic.

Newegg next complains that AdjustaCam made a $51,543 settlement offer on July 11, 2012. Had Newegg bothered to ask for an explanation of how AdjustaCam arrived at that number, it would have been informed that AdjustaCam took its expert's damage figure of $17,928 based upon two years of past infringement,[21] and then extrapolated a royalty number for future infringement based upon 3.75 more years of infringement (*i.e.*, $33,615) through the term of the '343 patent, for a total of $51,543. Appx0344-Appx0355. The math is inescapable. Again, Newegg's apparent belief that settlements, which necessarily would include a license going forward, should only include compensation for past infringement is naïve and

[21] Newegg's infringing sales numbers had decreased from before, due to manufacturer settlements.

unrealistic.

There has been nothing improper about AdjustaCam's settlement negotiations with Newegg. Newegg's apparent belief that settlements, which necessarily would include a license going forward, should only include compensation for past infringement is naïve and unrealistic.

I. Judge Gilstrap Did Not Fail To Consider The Totality Of The Circumstances, Nor Did He Rubber-Stamp Or Merely Defer To Prior Findings By Judge Davis.

The remand by this Court states in pertinent part that, "because the District Court must be afforded an opportunity to evaluate whether this case is "exceptional" under the totality of the circumstances and a lower burden of proof, we vacate the District Court's denial of attorney fees and remand for reconsideration in light of Octane Fitness." Judge Gilstrap allowed the parties to re-brief all issues. *See* Appx3760-Appx4246- & Appx4259-Appx4273. Judge Gilstrap also held a hearing and gave the parties a full opportunity to argue the facts and issues. Appx4274-Appx4335 (transcript). After considering the totality of the circumstances, Judge Gilstrap issued the second denial of Newegg's § 285 Motion, this time under the *Octane* standard. Demonstrating his understanding of the arguments being advanced by Newegg, Judge Gilstrap correctly summarized Newegg's "four primary arguments." Appx0001_5. In his Opinion denying Newegg's Motion, Judge Gilstrap found "[a]though the standard for evaluating exceptionality under § 285 has changed … the *facts of the case themselves remain the same* as when the Court originally denied [Newegg's] requests for fees." Appx0001_4 (emphasis added). Judge Gilstrap summarized the factual determinations and in-person evaluations made by Judge Davis, which Judge Gilstrap found "remain the same." Appx0001_5-Appx001_6. All of Judge Davis's and Judge Gilstrap's eleven (11) factual determinations weigh against any impropriety by AdjustaCam and against any exceptionality for this case. Appx0001_5-Appx001_6. It was prudent for Judge Gilstrap to adopt Judge Davis's prior findings including because the facts had not changed and Newegg has confusingly adopted its prior briefing by reference, Appx3724, thus making it a challenge to keep track of its many arguments. Judge Gilstrap determined that "[t]hese fact-based assessments address and counter each of [Newegg's] arguments." Appx0001_5-Appx0001_6.

"Having considered the *totality of the circumstances*, as reflected in the record and affording due weight to the previous in-person evaluations announced by Judge Davis from his unique posture of having lived with this case and these parties," Judge Gilstrap concluded this was not an exceptional case under § 285. Appx0001_6 (emphasis added). Thus, "[a]fter a *careful review of the entirety of the record*, as well as the parties' arguments and additional briefing, the Court, in an exercise of its statutory grant of discretion, does not find that AdjustaCam's infringement and validity arguments were so weak, or its litigation conduct so poor, as to make this case stand out from others." Appx0001_6-7 (emphasis added). Newegg's argument that Judge Gilstrap did not consider the totality of the circumstance is baseless.

Newegg's argument that Judge Gilstrap merely deferred to Judge Davis's prior ruling is unsupported and erroneous. It was appropriate for Judge Gilstrap to agree with Judge Davis's assessment of the facts, including because the facts had not changed and Judge Davis's assessment of the facts was correct. Judge Gilstrap's Order does not simply state that he is deferring to Judge Davis's prior order. Aside from agreeing with Judge Davis's factual determinations, it was appropriate for Judge Gilstrap to give "due weight and credence" to the "in-person evaluations of the parties' motives and state of mind" of Judge Davis. Judge Davis had presided over the case for over three years. *See Site Update*, 2016 WL 380119, *2 (Fed. Cir. Feb. 1, 2016).

Further, Newegg's dismissive comments regarding Judge Davis's original order denying Newegg's Motion are unwarranted.[22] Judge Davis's original denial of Newegg's motion for fees was made under the prior *Brooks Furniture* test, but the facts underlying Judge Davis's original determination and Judge Gilstrap's determination on remand are the same.

[22] Newegg's dismissive comments about Eastern District of Texas judges in general are unfounded and highly inappropriate. Newegg recently sought certiorari based upon similar unfounded and inappropriate allegations and cert. was denied. *See Macrosolve,* 2016 WL 2742651 (denying cert).

J. The District Court Did Not Commit Clear Error, Nor Did It Abuse Its Discretion, In Denying Newegg's § 285 Motion.

The District Court's factual findings and conclusions all properly ran contrary to Newegg's argument. Newegg has not shown that the District Court's factual findings constitute clear error. Rather, the facts show that, when Newegg's unsupported hyperbole and speculation is stripped away, the facts squarely support the District Court's factual determinations. Further, when the District Court's factual determinations are given their due weight, it is inescapable that the District Court did not abuse its discretion in denying the relief sought.

Further, looking at the totality of the circumstances and the case as a whole – including the merit in AdjustaCam's litigation positions, the lack of litigation misconduct, and the lack of bad faith, and when the District Court's factual determinations are given their due weight, it is inescapable that it was not an abuse its discretion for the District Court to deny the relief sought.

K. The District Court Did Not Commit Clear Error, Nor Did It Abuse Its Discretion, In Denying Newegg's Motion For Expert Fees.

For at least the same reasons that Newegg's § 285 allegations lack legal or factual merit, Newegg have shown no abuse of discretion or clearly erroneous findings to justify a reversal of the District Court's non-exercise of its inherent authority to award expert witness fees. "A District Court has inherent authority to impose sanctions in the form of reasonable expert fees in excess of what is provided for by statute." *MarcTec*, 664 F.3d at 921. However, this authority "is reserved for cases where the District Court makes a finding of fraud or bad faith whereby the very temple of justice has been defiled." *Id.* Newegg have shown no basis for such a finding, much less any error by the District Court in not awarding expert fees.

Further, any sanctions in the form of an expert fee award would require specific findings from the District Court that AdjustaCam acted in bad faith. *See Crowe v. Smith*, 151 F.3d 217, 236 (5th Cir. 1998) (sanctions under a court's inherent powers require a "specific finding that the [party] acted in bad faith."). In contrast, here the District Court found that AdjustaCam did not act in bad faith in bringing this action and that Newegg failed to prove AdjustaCam acted inappropriately in this case. Appx0001_5.

The District Court's factual findings and conclusions all properly ran contrary to Newegg's arguments. Newegg have not shown that the District Court's factual findings constitute clear error. Rather, the facts show that, when Newegg's meritless hyperbole and speculation is stripped away, the facts squarely support the District Court's factual determinations. Further, when the District Court's factual determinations are given their due weight, it is inescapable that the District Court did not abuse its discretion in denying the relief sought.

L. Even If Reversible Error Was Somehow Found, The Appropriate Remedy Would Be Remand, Not Reversal.

Although consistent with Newegg's position that this Court should substitute its judgment for the District Court's judgment, Newegg's argument for reversal is baseless. Even if reversible error was somehow found, the appropriate remedy would be remand, not reversal. Newegg has not pointed to a single precedent that would warrant such extreme and unwarranted relief.

VII. CONCLUSION

Accordingly, Newegg's appeal should be in all respects denied and the District Court's second denial of Newegg's exceptional case motion should be affirmed.

Dated: August 9, 2016

Respectfully submitted,

/s/ John J. Edmonds

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VIII. CERTIFICATE OF SERVICE

I, John J. Edmonds, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

On August 9, 2016, a copy of the foregoing Brief for Plaintiff-Appellee was filed electronically with the Clerk of the Court using the CM/ECF System, which will serve via electronic mail notice of such filing to all counsel registered as CM/ECF users. Paper copies will also be sent to all opposing counsel at the time paper copies are sent to the Court.

Upon acceptance by the Court of the electronically filed document, six paper copies will be filed with the Court via courier within the time provided by the Court's rules.

Dated: August 9, 2016

/s/ *John J. Edmonds*
John J. Edmonds

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IX. CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPE-FACE REQUIREMENTS, AND TYPE-STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 28.1(e)(2)(A), because it contains 13,777 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). This brief has been prepared in a proportionally spaced typeface using Microsoft Word, in 14 Point Times New Roman.

Dated: August 9, 2016

/s/ *John J. Edmonds*
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